DPRA

June 26, 1991

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OFFICE OF RCRA
Waste Management Division
U.S. EPA, REGION V

Allen Wojtas
MI/WI Technical Enforcement Section
RCRA Enforcement Branch
EPA, Region V
Chicago, IL 60604

RE: Letter Report, TES X, WA No. R05046 Custom Blended Oils, Inc. (E&L Tank Cleaners, Inc.) Financial Assessment of Ability-to-Pay

Dear Mr. Wojtas:

This letter report summarizes our analysis and opinion on Custom Blended Oils' ability to pay RCRA enforcement penalties. This analysis incorporates revised and current financial information on Custom Blended Oils transmitted from your office on June 19, 1991 and supplements those findings covered in prior DPRA letter reports dated November 28, 1990 and March 5, 1991.

Background and Purpose

The revised and current information used for this analysis was part of a June 12, 1991 submission from R. Ray Simpson, certified public accountant for Custom Blended Oils, Inc., to Sandra R. Okata, Assistant Regional Counsel, U.S. EPA, Region V. The submitted material documents the results of a "review" of Custom Blended Oils' recent financial records by Mr. Simpson. Previous financial statements provided by Custom Blended Oils were given neither an accountant review nor an audit. In other words, little if any level of independent auditing was completed for previous financial statements.

It is our understanding that a "review" incorporates a general assessment of the company's accounting practices and limited sampling of records and transactions. It is not as comprehensive or reliable as a full "audit" but should significantly improve the reliability of financial data over that from "unaudited" statements.

The purpose of this analysis is two-fold. First, we compare key financial conditions from previous unaudited reports and the current review reports. Second, we present implications for

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ability-to-pay based on the CPA's review reports. The new review reports cover two periods: (1) for the year 10/1/89 through 9/30/90 and (2) for the eight (8) months of 10/6/90 through 5/31/91.

Findings and Conclusions

A comparison of the "reviewed" and "unaudited" financial statements for the period 10/1/89 - 9/30/90 reveal extreme differences (see Table 1) and suggest a significant deterioration in Custom Blended Oils' ability-to-pay a RCRA penalty of any significant amount. For example, results of the auditor's review suggest Custom Blended Oils' total assets as of September 30, 1990 were $262,991 LESS than indicated from previously unaudited data. That is, $589,225 in total assets were reported in the unaudited financial statement versus $326,234 in the reviewed financial statement. Similarly, stockholders' equity was $292,846 LESS ($334,905 (unaudited) versus $42,059 (reviewed)). Net income was $218,750 LESS and declined from $85,059 (unaudited) to negative $133,691 (reviewed).

Custom Blended Oils' ability-to-pay a RCRA penalty is dependent on a stabilization and improvement in its operating conditions. The May 31, 1991 review data suggest neither is occurring. If the review data are accurate, total asset levels have declined significantly, equity in the company is negative, sales levels are lower, the company is highly unprofitable and key business ratios have deteriorated (Table 2). In general, future viability of the firm is extremely questionable.

Based on our review of the available data, the firm's ability to pay an EPA set civil penalty of $85,750 or a similar amount from existing operations is doubtful. Any payment from operating revenues would be difficult and outside or innovative sources of cash would need to be found. Two possible unique sources of cash might be available as mentioned in previous analyses. These include:

1. The company might capitalize some of its existing fixed and equipment assets through liquidation and lease-back arrangements. This would generate immediate cash and allow continued operation. However, such assets might already be collateralized to other creditors (lenders) and a liquidation for payment of a civil penalty might not be allowed by the company's creditors.

2. The Winkles (owners of the company) are the apparent owners of the property on which the company operates. This property could be valuable and might also be liquidated with a lease-back option with proceeds from sales used to pay a civil penalty. The site property in Peotone, Illinois was purchased for $53,000 in 1974 and if its market value appreciated at 5 percent per year, it would currently have a value of over $100,000.

Table 1. Summary and comparison of unaudited financial statements (Sept. 30, 1990) and reviewed financial statements (Sept. 30, 1990 and May 31, 1991) for Custom Blended Oil

Item	September 30, 1990			May 31, 1991 (Reviewed, 8 months) 1/		
	Reviewed	Unaudited	Difference	Reported	Annualized	Difference May 31 - Sept.30
	($)					
Current Assets	140,409	301,244	(160,835)	90,610	N/A	(49,799)
Fixed Assets	171,681	256,364	(84,683)	143,594	N/A	(28,087)
Other Assets	14,144	31,617	(17,473)	16,002	N/A	1,858
Total Assets	326,234	589,225	(262,991)	250,206	N/A	(76,028)
Current Liabilities	197,720	167,659	30,061	242,085	N/A	44,365
Long-term Liabilities	86,455	86,661	(206)	69,383	N/A	(17,072)
Stockholder's Equity	42,059	334,905	(292,846)	(61,262)	N/A	(103,321)
Total Liabilities and Stockholder's Equity	326,234	589,225	(262,991)	250,206	N/A	(76,028)
Working Capital (calculated as Current Assets less Current Liabilities)	(57,311)	133,585	(190,896)	(151,475)		(94,164)
Operating Statement						
Total Income	1,662,616	1,731,092	(68,476)	685,120	1,038,061	(624,555)
Costs of Sales	828,435	719,460	108,975	232,305	351,977	(476,458)
Expenses	899,951	892,824	7,127	526,305	797,432	(102,519)
Depreciation	67,921	33,749	34,172	29,317	44,420	(23,501)
Net Income	(133,691)	85,059	(218,750)	(103,321)	(156,547)	(22,856)

1/ Reviewed data only. Annualized data for May 31, 1991 values were used to calculate difference for operating statements.

Table 2. Trend and ratio analysis of Custom Blended Oils' ability-to-pay based on unaudited financial statements (Sept. 30, 1990) and reviewed financial statements (Sept. 30, 1990 and May 31, 1991)

	September 30, 1990				May 31, 1991 (Reviewed 8 months) 1/			
	Reviewed		Unaudited		Reported		Annualized	
Item	($)	(%)	($)	(%)	($)	(%)	($)	(%)
Current Assets	140,409	43	301,244	51	90,610	36	N/A	
Fixed Assets	171,681	53	256,364	44	143,594	57	N/A	
Other Assets	14,144	4	31,617	5	16,002	6	N/A	
Total Assets	326,234	100	589,225	100	250,206	100	N/A	
Current Liabilities	197,720	61	167,659	28	242,085	97	N/A	
Long-term Liabilities	86,455	27	86,661	15	69,383	28	N/A	
Stockholder's Equity	42,059	13	334,905	57	(61,262)	-24	N/A	
Total Liabilities and Stockholder's Equity	326,234	100	589,225	100	250,206	100	N/A	
Working Capital (calculated as Current Assets less Current Liabilities)	(57,311)	N/A	133,585	N/A	(151,475)	N/A	N/A	
Operating Statement								
Total Income	1,662,616	100	1,731,092	100	685,120	100	1,038,061	100
Cost of Sales	828,435	50	719,460	42	232,305	34	351,977	34
Expenses	899,951	54	892,824	52	526,305	77	797,432	77
Interest Expense	20,633	1	20,633	1	10,245	1	15,523	1
Depreciation	67,921	4	33,749	2	29,317	4	44,420	4
Net Income	(133,691)	-8	85,059	5	(103,321)	-15	(156,547)	-15

Cont'd...

Table 2. Continued

Item	September 30, 1990		May 31, 1991 (Reviewed 8 months) 1/	
	Reviewed	Unaudited	Reported	Annualized
ABEL Ratios	(ratios)			
Debt to Equity 2/	6.76	0.76	-5.08	----
Current 3/	0.71	1.80	0.37	----
Beaver's 4/	-0.23	0.47	-0.24	----
Times Interest Earned 5/	-5.48	5.12	-9.09	----

1/ Reviewed data only. Annualized data are developed for the operating statement only based on 8-month trends.

2/ Debt/Equity: a ratio of greater than 1.5 means the firm may have difficulty when borrowing; less than 1.5 means possible additional debt capacity. A negative ratio indicates liabilities are greater than assets and continued operations are unlikely.

3/ Current Assets/Current Liabilities: a ratio of greater than 2.0 is a healthy liquidity indicator, i.e., a firm should be able to meet its short-term expenses in a timely manner; less than 2.0 indicates the firm may suffer from liquidity problems.

4/ Cash Flow After Taxes/Total Liabilities: a ratio of greater than 0.20 is a healthy solvency indicator; less than 0.10 or negative ratio is indicative of poor financial health.

5/ Earnings Before Interest and Taxes/Interest Expense: a ratio of greater than 2.0 is a healthy indication that a firm is solvent; otherwise, possible solvency problems exist.

Source for ratio calculation methods: U.S. EPA. 1987 (September 30). ABEL User's Manual (Appendix A).

The amount of available funds from such financial arrangements cannot be determined without much more detailed information on the assets' current market value and possible lease-back arrangements.

Sincerely,

Dan Francke

Daniel W. Francke
Vice President

Nancy Ekart

Nancy J. Ekart
Associate

ms/3729.046

cc: Tom Lentzen, M&E

R. Ray Simpson, CPA

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R. RAY SIMPSON

CERTIFIED PUBLIC ACCOUNTANT

June 12, 1991

Sandra R. Otaka, Esq.
Assistant Regional Counsel
U.S. Environmental Protection Agency,
Region V
230 South Dearborn Street
Chicago, IL 60604

RE: Custom Blended Oils, Inc.
USEPA ID NO ILD069503944

Dear Counsellor:

My firm, R. Ray Simpson CPA, and I personally perform various accounting services for Custom Blended Oils, Inc.. On October 30, 1990 I compiled financial statements for Custom Blended Oils, Inc. for their fiscal year ending Septmeber 30, 1990 along with their Federal Income Tax Returns. These Financial Statements and tax returns were subsequently submitted to the U.S. EPA. These statements were compiled statements and not a reviewed or audited statement.

Recently, I was asked to perform a "review" of the Company's September 30, 1990, and May 31, 1991, financial statements. During the course of my review, I discovered inaccuracies in the original information used to prepare the compiled financial statements. As a result of the discovery of this innaccurate information, the financial statements were corrected. The principal changes were that the accounts receivable balance was overstated and the accounts payable balance was understated. These adjustments resulted in a substantial change to the compiled financial statements, and accordingly I have notified all users of these financial statements and provided them with the reviewed financial statements. Custom Blended Oils, Inc. prepares their income tax returns on a cash basis, the adjustments to accounts receivable and accounts payable will not have any effect on these tax returns.

Custom Blended Oils, Inc. income tax returns were prepared on the cash basis of accounting, wherein revenues are recognized when collected and expenses are recognized when paid. This method of accounting results in a portion of taxable income being deferred to future periods. As a result of using this method of accounting, for the year ending September 30, 1989, the tax return shows a net loss while the financial statement shows a net income. For the year ending September 30, 1990, the tax return shows a net income while the financial statement shows a net loss.

Based on the reviewed financial statements for the periods ending September 30, 1990, and May 31, 1991, especially the fact that the company's working capital has decreased by $266,839 since October 1, 1989 to the May 31,1991 negative balance of $151,475, it is my opinion that Custom Blended Oils, Inc. does not have the financial strength to be able to support any additional outlay of cash for the proposed penalty or any additional debt load payments.

Very Truly Yours,

R. Ray Simpson

R. Ray Simpson

March 5, 1991

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Waste Management Division
U.S. EPA, REGION V

RE: Letter Report, TES X, WA No. R05046 Custom Blended Oils, Inc. (E&L Tank Cleaners, Inc.) Financial Assessment of Ability to Pay; Supplemental Analysis of More Current Data--Replacement of Letter Report Dated February 26, 1991.

Dear Mr. Wojtas:

Due to our receipt of additional Custom Blended Oils, Inc. information on February 26, 1991, and because this supplemental information is so similar to the information summarized in our February 26, 1991 letter report, this letter report will serve as a replacement for the letter report dated February 26, 1991. This assessment has been completed as part of TES X Work Assignment No. R05046 under EPA Contract No. 68-W9-0007.

We summarize below the results of our review of the financial records provided to us on Wednesday, February 13, 1991, Wednesday, February 20, 1991 and on Tuesday, February 26, 1991. The financial records provided include: (1) September 30, 1990 financial statements of Custom Blended Oils, Inc. compiled by R. Ray Simpson, Certified Public Accountant (CPA). Included with the balance sheet, income statement and statement of changes in retained earnings are an inventory list, claims information and a list of Custom Blended Oils, Inc.'s current 1990 drivers. Although these documents were compiled by Mr. Simpson, the information given on them is a representation of Custom Blended Oils, Inc.'s management and have not been audited nor reviewed by Mr. Simpson; (2) December 31, 1990 statement of working capital (current assets less current liabilities) compiled by R. Ray Simpson, CPA; and (3) 1989 Corporate Income Tax Return (operations through September 30, 1990) and detailed listings of accounts receivable (as of December 31, 1990) and accounts payable (as of December 31, 1990), all compiled by R. Ray Simpson, CPA, as well as a list of Custom Blended Oils, Inc.'s employee lay-offs compiled by Lorene Winkle, President of Custom Blended Oils, Inc.

This analysis supplements our previous letter reports dated November 2, 1990 and November 28, 1990 pertaining to a potentially liable party's (PLPs) ability to pay a civil penalty associated with the Custom Blended Oils, Inc. (E&L Tank Cleaners, Inc.) site. In addition, we have presented issues and questions which, once resolved, would provide additional information for making a final assessment of the facility's ability to pay the civil penalty which the U.S. Environmental Protection Agency (U.S. EPA) is seeking.

Background and Purpose

Custom Blended Oils, Inc. (E&L Tank Cleaners, Inc.) is a treatment/storage/disposal facility that also markets used oil fuel and/or hazardous waste fuel. It is located at South Rathje Road, Peotone, Illinois. Ernest Winkle, President of Custom Blended Oils, Inc. (E&L Tanks Cleaners, Inc.) was issued a Notice of Violation (NOV) by the U.S. EPA for violation of 40 CFR 266.43(b)3 and 4 on August 30, 1988. Due to a deficient response to this NOV, U.S. EPA issued a second NOV on October 12, 1988. A third NOV was issued by the U.S. EPA on January 12, 1989 indicating violations which were determined during a November 18, 1988 inspection of the facility. In response to an April 21, 1989 Information Request issued by the U.S. EPA, Custom Blended Oils, Inc. contended that they did not market off-specification used oil fuel, and thus, the regulations in 40 CFR 266.43(b)(1-5) and (6)(ii) did not apply to them.

However, the U.S. EPA has issued a Complaint and Compliance Order which specifies that Custom Blended Oils, Inc. has failed to meet particular RCRA requirements relating to the marketing of used oil and hazardous waste fuel for energy recovery. A penalty of $85,750 was proposed for the noncompliance. During negotiations with the facility, representatives indicated that the facility is unable to pay the proposed civil penalty.

The purpose of this Letter Report is to supplement previous assessments of Custom Blended Oils, Inc.'s (E&L Tank Cleaners, Inc.) ability to pay a civil penalty of $85,750 and to provide a current assessment of the adequacy of the new documents received from U.S. EPA, in the form of issues and/or questions for any subsequent enforcement proceedings.

Nature of Documents

On February 13, 1991, copies of Custom Blended Oils, Inc.'s September 30, 1990 balance sheet, income statement, and statement of changes in retained earnings as developed by Custom Blended Oils, Inc.'s management and compiled by R. Ray Simpson, CPA, were supplied by Allen Wojtas of the U.S. EPA. Also received were reports identifying Custom Blended Oils, Inc.'s current drivers for 1990, inventory, and claim information since 1988. These documents merely represent information from Custom Blended Oils, Inc.'s management and have not been audited or reviewed by a Certified Public Accountant (CPA), nor do they follow generally accepted accounting principles.

On February 20, 1991, a statement of Custom Blended Oils, Inc.'s working capital as of December 31, 1990 estimated by R. Ray Simpson, CPA, was supplied by Allen Wojtas, U.S. EPA. It is unknown if this document represents audited information (we would assume that it does) or if it is, again, a representation of Custom Blended Oils, Inc.'s management.

On February 26, 1991, Custom Blended Oils, Inc.'s 1989 Corporate Income Tax Return and detailed listings of Custom Blended Oils, Inc.'s accounts receivable (December 31, 1990) and accounts payable (December 31, 1990), each compiled by R. Ray Simpson, CPA, were supplied by Allen Wojtas, U.S. EPA. Also provided was a letter written by Lorene Winkle, President of Custom Blended Oils, Inc. identifying a list of employees that have been laid-off and the respective date of each employee lay-off.

Observations Regarding Ability to Pay

The following financial observations are based on a list of current 1990 drivers, inventory list, and claims information, all provided by Custom Blended Oils, Inc. management.

- Custom Blended Oils, Inc. employed eight (8) drivers in 1990. The number of drivers previously employed by Custom Blended Oils, Inc. is unknown, therefore we are uncertain as to whether hirings have occurred, lay-offs have been made, or if this is the "normal" staff.

- The inventory list provided shows that Custom Blended Oils, Inc. maintains office equipment and operating equipment that value (at purchase price) $435,470. The actual worth of these assets is not known, however it is clear that Custom Blended Oils, Inc. does have assets that can be sold to generate cash.

- Claim information for Custom Blended Oils, Inc. is provided. It is uncertain whether the values given are the actual amounts of the claims or if these values constitute the portion of the claim to be paid by Custom Blended Oils, Inc. Considering our uncertainty regarding the claim given by Custom Blended Oils, Inc.'s management, we cannot make an assessment of how Custom Blended Oils, Inc.'s payment of these claims would effect the firm's ability to pay the imposed civil penalty.

Based on the September 30, 1990 financial statements (balance sheet, income statement, and statement of changes in retained earnings) provided by Custom Blended Oils, Inc. management, December 31, 1990 statement of working capital, the 1989 Corporate Income Tax Return, the listings of accounts receivable and payable as of December 31, 1990, and Lorene Winkle's letter identifying the employees laid-off from Custom Blended Oils, Inc., the following observations have been made:

- As of December 31, 1990, Custom Blended Oils, Inc.'s working capital position is a negative $144,390 (calculated as current assets less current liabilities, i.e., $171,341 - $315,731 = $(144,390)). It is in the opinion of R. Ray Simpson, CPA for Custom Blended Oils, Inc. that "the company would not be able to cash flow any additional loan payments or penalty assessments at this time." If these figures are accurate and follow generally accepted accounting principles, we concur with Mr. Simpson's opinion and additionally ask, how can this firm remain in business?

- Financial ratios commonly used to assess ability to pay (see U.S. EPA. 1987 (September 30). ABEL Users Manual) indicate that based on Custom Blended Oils, Inc.'s 1989 Corporate Income Tax Return (year ending September 30, 1990) the firm is solvent and maintains a healthy liquidity, however an extremely high debt to equity ratio (43.19) indicates that the firm will experience great difficulty in borrowing funds.

  Custom Blended Oils, Inc.'s current ratio of 4.03 indicates healthy liquidity which differs from the current ratio (1.80) calculated using the September 30, 1990 financial statements based on Custom Blended Oils, Inc.'s management figures. Both the beaver's ratio (0.30) and the times interest earned ratio (2.60) indicate solvency as did the beaver's ratio and times interest earned calculated using Custom Blended Oils, Inc.'s unaudited September 30, 1990 financial statements. The large discrepancy between the debt to equity ratios (43.19 and 0.97, based on 1989 Corporate Income Tax Return information and the unaudited September 30, 1990 financial statements information, respectively) may be due to the compilation of Income Tax Returns on a cash basis, however, it is more likely due to the large difference in the reported retained earnings (unaudited September 30, 1990 financial statement, $250,809; 1989 Corporate Income Tax Return (year ending September 30, 1990), ($5,350)). (See Table 1.)

- According to Custom Blended Oils, Inc.'s 1989 Corporate Income Tax Return (year ending September 30, 1990) sales are $1,732,118, an increase of $171,761 since 1988 ($1,560,357). This amount is comparable to that given by Custom Blended Oils, Inc.'s management on their September 30, 1990 financial statement ($1,731,092). However, the taxable income ($250), cash flow ($62,571), total assets ($205,491) and mortgages and notes ($192,457) given on the 1989 Corporate Income Tax Return differ from the figures given on the unaudited September 30, 1990 financial statements (i.e., taxable income, $85,059; cash flow, $118,808; total assets, $589,225; mortgages and notes, $295,279).

  The discrepancy between the taxable income figures are accounted for as some of the expenses reported on the 1989 Corporate Income Tax Return are greater than those report on the unaudited September 30, 1990 financial statements (i.e., repairs ($9,975 difference); rents ($1,487 difference); taxes ($2,689 difference); depreciation ($28,572 difference); postage ($534 difference); supplies ($80,432 difference)). In addition, the net operating loss deduction ($38,441) was accounted for on the 1989 Corporate Income Tax Return, reducing the taxable income to an even smaller amount.

  The cash flow difference (calculated as taxable income and depreciation; 1989 Income Tax Return, $62,571; unaudited September 30, 1990 financial statements, $118,808) is accounted for by the discrepancies in taxable income, but this large difference is somewhat offset by the discrepancy in the stated depreciation amounts (1989 Income Tax Return, $250 + $62,321; unaudited September 30, 1990 financial statements, $85,059 + $33,749). The smaller reported amounts for total assets and for mortgages and notes on the 1989 Corporate Income Tax Return is due, again, to the compilation of Income Tax Returns on a cash basis. Accounts receivable and inventory, and accounts payable were not included in the 1989 Income Tax Return calculations for total assets and for mortgages and notes, respectively, however they were used in calculating these figures using the unaudited September 30, 1990 financial statements (see Table 1).

- A list of Custom Blended Oils, Inc.'s accounts receivable as of December 31, 1990 compiled by R. Ray Simpson, CPA, shows a net value of $83,022.81 (total of $92,281.66 less bad debts of $9,258.85). This amount corresponds to the amount used in calculating Custom Blended Oils, Inc.'s working capital position as of December 31, 1990. When comparing this amount ($83,022.81) with the September 30, 1990 amount ($121,586) from the unaudited financial statements, it appears that Custom Blended Oils, Inc. has received $38,563.19 in payment of accounts receivable since September 30, 1990.

- A list of Custom Blended Oils, Inc.'s accounts payable as of December 31, 1990 compiled by R. Ray Simpson, CPA, shows a value due of approximately $372,000. This amount differs from that used in R. Ray Simpson's, CPA, compilation of working capital as he has a current liability amount (accounts payable and current portion of long-term debt of $315,731). When comparing these amounts with the September 30, 1990 amount ($54,966) from the unaudited financial statements, it appears that Custom Blended Oils, Inc. has incurred approximately $261,000 (December 31, 1990 statement of working capital) to $317,000 (December 31, 1990 list of accounts payable) in debt since September 30, 1990.

- A letter dated February 14, 1991 from Lorene Winkle, President of Custom Blended Oils, Inc. identified eight (8) employees that have been laid off and the date that each employee was laid off. She states that the reason for the lay-offs is because the firm does not have the funds to pay the employees. In addition, their business level has become lower than at any time she can remember and no relief is seen in the near future.

In general, these more recent data lead to conflicting results. For example, the financial ratios commonly used to assess ability to pay and the current financial position of Custom Blended Oils, Inc. based on the September 30, 1990 financial statements provided by Custom Blended Oils, Inc. management indicate that the firm should be able to pay the civil penalty and remain viable. However, the accuracy of the documents from which this information was taken (previously discussed under *Nature of Documents*) must be carefully considered. In contrast, the December 31, 1990 statement of working capital, the 1989 Corporate Income Tax Report, the listings of accounts receivable and payable as of December 31, 1990, and Lorene Winkle's letter identifying laid-off employees, suggest that Custom Blended Oils, Inc. is facing hardship in its business operation and would currently have difficulty in paying the assessed civil penalty. Considering this recent data along with their historical data, it is our opinion that Custom Blended Oils, Inc. has significant financial problems and could only pay the civil penalty through liquidation of assets as suggested in our November 28, 1990 letter report. Their viability at that point would be highly marginal.

Ability to Pay Issues and Concerns

The following are questions or issues on the party's ability to pay based on our review of the most current documents provided:

- Information given on the September 30, 1990 financial statements provided by Custom Blended Oils, Inc.'s management is "unaudited" which significantly reduces the confidence that can be placed on any conclusions about Custom Blended Oil, Inc.'s ability to pay.

- Information is not available on what happened "financially" to Custom Blended Oils, Inc. between September 30, 1990 and December 31, 1990. Based on the December 31, 1990 statement of working capital, cash decreased $86,180. It is not apparent why cash decreased as no itemized list of the current assets or current liabilities given on the statement of working capital (12/31/90) is provided. Some funds may have been used to pay expenses and to decrease the current long-term debt ($104,309 - $89,340 = $14,969). However, while current long-term debt declined, accounts payable increased $171,425 (from $54,966 (9/30/90) to $226,391 (12/31/91)). More information is needed to clarify this firm's financial position.

- Information given on the list of accounts payable as of December 31, 1990 provided by R. Ray Simpson, CPA, shows a greater value of accounts payable than does the December 31, 1990 statement of working capital also provided by R. Ray Simpson, CPA. Possibly, the list contains a portion of the current long-term debt as well as accounts payable, however clarification of this discrepancy would be helpful in determining the true financial condition of Custom Blended Oils, Inc.

As previously stated, further information regarding the accuracy of the financial statements and additional financial information would be helpful in completing a more thorough assessment with better reliability on the ability of Custom Blended Oils, Inc. to pay the civil penalty the U.S. EPA is seeking. In addition, there are several issues and concerns addressed in our previous letter reports (i.e., November 2, 1990 and November 28, 1990) that have not yet been explained. Insight into these issues and concerns would also be helpful in completing a more thorough assessment.

All financial assessments made in this report are based on information provided by Custom Blended Oils, Inc. and R. Ray Simpson, CPA, to the U.S. EPA. Lack of previously mentioned information makes it impossible to perform a complete assessment of Custom Blended Oils, Inc.'s ability to pay the civil penalty sought by the U.S. EPA.

Given the findings of this letter report concerning Custom Blended Oils, Inc., we will await further guidance from you. Please call if you have any questions.

Sincerely,

Shelly L. Wohler

Shelly L. Wohler
Analyst

ms/3729.046

cc: Tom Lentzen, M&E
Dan Francke, DPRA

Table 1. Custom Blended Oils, Inc.'s Financial Information and ABEL Ratios

Tax Return Year	Sales 1/	Taxable Income 2/	Cash Flow 3/	Total Assets 4/	Mortgages and Notes 5/	ABEL Ratios: Debt to equity 6/	ABEL Ratios: Current 7/	ABEL Ratios: Beaver's 8/	ABEL Ratios: Time interest earned 9/
1990 (year ending Sept. 30, 1990)									
Custom Blended Oils, Inc.	1,732,118	250	62,571	205,491	192,457	43.19	4.03	0.30	2.60
[Unaudited Mgmt. Data] 10/	[1,731,092]	[85,059]	[118,808]	[589,225]	[295,279]	[.97]	[1.80]	[0.47]	[5.12]
1988 (year ending Sept. 30, 1989)									
Custom Blended Oils, Inc.	1,560,357	(2,390)	45,273	297,202	312,234	(11.45)	4.77	0.14	0.89
1987 (year ending Sept. 30, 1988)									
Custom Blended Oils, Inc.	2,153,632	(3,924)	51,745	270,631	282,678	(11.39)	3.76	0.17	0.86
E & L Tank Cleaners, Inc.	630,310	40,034	84,460	232,683	107,221	1.32	0.57	0.64	4.14
Combined	2,783,942	36,110	136,205	503,314	389,899	5.79	1.39	0.32	1.86
1986 (year ending Sept. 30, 1987)									
Custom Blended Oils, Inc.	1,459,609	(32,127)	(21,015)	202,798	214,116	(10.17)	0.69	(0.09)	(10.32)
E & L Tank Cleaners, Inc.	828,573	33,708	84,670	205,842	122,042	2.42	0.81	0.58	2.80
Combined	2,288,182	1,581	63,655	408,640	336,158	9.75	0.72	0.17	1.35
1985 (year ending March 31, 1986)									
E & L Tank Cleaners, Inc.	1,261,031	(7,385)	42,375	187,563	136,040	8.85	0.34	0.25	1.64
1984 (year ending March 31, 1985)									
E & L Tank Cleaners, Inc.	1,990,907	(12,251)	37,006	177,924	133,915	23.25	0.36	0.22	0.28
Critical Values Per ABEL Guidelines						1.50	2.00	0.20 0.10	2.00

1/ From IRS Form 1120, Line 1c.
2/ From IRS Form 1120, Line 30.
3/ From IRS Form 1120, Lines 30 and 20 (Taxable Income + Depreciation).
4/ From IRS Form 1120, Schedule L, Line 14.
5/ From IRS Form 1120, Schedule L, Lines 16 and 19.

An explanation of critical values per ABEL Guidelines is given below:

6/ Debt/Equity: A ratio of greater than 1.5 means the firm may have difficulty when borrowing; Less than 1.5 means possible additional debt capacity. A negative ( ) indicates liabilities are greater than assets and continued operations are unlikely.
7/ Current Assets/Current Liabilities: a ratio of greater than 2.0 is a healthy liquidity indicator; Less than 2.0 indicates the firm may suffer from liquidity problems.
8/ Cash Flow After Taxes/Total Liabilities: a ratio of greater than .20 is a healthy solvency indicator; Less than .10 or negative ( ) is indicative of poor financial health.
9/ Earnings Before Interest and Taxes/Interest Expense: a ratio greater than 2.0 is a healthy indication that firm is solvent; otherwise, possible solvency problems exist.
10/ All data in parentheses taken from unaudited September 30, 1990 financial statements provided by Custom Blended Oils, Inc. management.

For Calculation methods see U.S. EPA. 1987 (September 30). ABEL User's Manual (Appendix A).

DPRA

February 26, 1991

Allen Wojtas
MI/WI Technical Enforcement Section
RCRA Enforcement Branch
EPA, Region V
Chicago, IL 60604

RE: Letter Report, TES X, WA No. R05046 Custom Blended Oils, Inc. (E&L Tank Cleaners, Inc.) Financial Assessment of Ability to Pay; Supplemental Analysis of More Current Data

Dear Mr. Wojtas:

We summarize below the results of our review of the financial records provided to us on Wednesday, February 13, 1991 and on Wednesday, February 20, 1991. The financial records provided include: (1) September 30, 1990 financial statements of Custom Blended Oils, Inc. compiled by R. Ray Simpson, Certified Public Accountant (CPA). Included with the balance sheet, income statement and statement of changes in retained earnings are an inventory list, claims information and a list of Custom Blended Oils, Inc.'s current 1990 drivers. Although these documents were compiled by Mr. Simpson, the information given on them is a representation of Custom Blended Oils, Inc.'s management and have not been audited nor reviewed by Mr. Simpson; and (2) December 31, 1990 statement of working capital (current assets less current liabilities) compiled by R. Ray Simpson, CPA.

This analysis supplements our previous letter reports dated November 2, 1990 and November 28, 1990 pertaining to a potentially liable party's (PLPs) ability to pay a civil penalty associated with the Custom Blended Oils, Inc. (E&L Tank Cleaners, Inc.) site. In addition, we have presented issues and questions which, once resolved, would provide additional information for making a final assessment of the facility's ability to pay the civil penalty which the U.S. Environmental Protection Agency (U.S. EPA) is seeking.

Background and Purpose

Custom Blended Oils, Inc. (E&L Tank Cleaners, Inc.) is a treatment/storage/disposal facility that also markets used oil fuel and/or hazardous waste fuel. It is located at South Rathje Road, Peotone, Illinois. Ernest Winkle, President of Custom Blended Oils, Inc. (E&L Tanks Cleaners, Inc.) was issued a Notice of Violation (NOV) by the U.S. EPA for violation of 40 CFR 266.43(b)3 and 4 on August 30, 1988. Due to a deficient response to this NOV, U.S. EPA issued a second NOV on October 12, 1988. A third NOV was issued by the U.S. EPA on January 12, 1989 indicating violations which were determined during a November 18, 1988 inspection of the facility. In response to an April 21, 1989 Information Request issued by the U.S. EPA, Custom Blended Oils, Inc. contended that they did not market off-specification used oil fuel, and thus, the regulations in 40 CFR 266.43(b)(1-5) and (6)(ii) did not apply to them.

200 Research Drive P.O. Box 727 Manhattan, Kansas 66502 Telephone 913-539-3565 Telex 704314
Other offices: Washington, D.C., St. Paul, Chicago, Denver, Dallas, Kansas City, Oak Ridge, Kisumu, Kenya

However, the U.S. EPA has issued a Complaint and Compliance Order which specifies that Custom Blended Oils, Inc. has failed to meet particular RCRA requirements relating to the marketing of used oil and hazardous waste fuel for energy recovery. A penalty of $85,750 was proposed for the noncompliance. During negotiations with the facility, representatives indicated that the facility is unable to pay the proposed civil penalty.

The purpose of this Letter Report is to supplement previous assessments of Custom Blended Oils, Inc.'s (E&L Tank Cleaners, Inc.) ability to pay a civil penalty of $85,750 and to provide a current assessment of the adequacy of the new documents received from U.S. EPA, in the form of issues and/or questions for any subsequent enforcement proceedings. Inconsistencies are found between the September 30, 1990 financial statements and the December 31, 1990 statement of working capital. It appears, from the September 30, 1990 documents, that Custom Blended Oils, Inc. is a profitable firm and would have no problem paying the assessed civil penalty, however the validity of these documents is questioned as they represent Custom Blended Oils, Inc.'s management figures and have not been audited or reviewed by a CPA. The December 31, 1990 statement of working capital shows a negative $144,390, hence, Custom Blended Oils, Inc. would be unable to make any payment of the assessed civil penalty. The inconsistencies make any new insights into ability to pay uncertain.

This assessment has been completed as part of TES X Work Assignment No. R05046 under EPA Contract No. 68-W9-0007.

Nature of Documents

On February 13, 1991, copies of Custom Blended Oils, Inc.'s September 30, 1990 balance sheet, income statement, and statement of changes in retained earnings as developed by Custom Blended Oils, Inc.'s management and compiled by R. Ray Simpson, CPA, were supplied by Allen Wojtas of the U.S. EPA. Also received were reports identifying Custom Blended Oils, Inc.'s current drivers for 1990, inventory, and claim information since 1988. These documents merely represent information from Custom Blended Oils, Inc.'s management and have not been audited or reviewed by a Certified Public Accountant (CPA), nor do they follow generally accepted accounting principles.

On February 20, 1991, a statement of Custom Blended Oils, Inc.'s working capital as of December 31, 1990 estimated by R. Ray Simpson, CPA, was again supplied by Allen Wojtas, U.S. EPA. It is unknown if this document represents audited information (we would assume that it does) or if it is, again, a representation of Custom Blended Oils, Inc.'s management.

Preliminary Conclusions on Ability to Pay

Based on the September 30, 1990 financial statements for current Blended Oils, Inc., list of current 1990 drivers, inventory list and claims information, the following financial observations have been made:

- Financial ratios commonly used to assess ability to pay (see U.S. EPA 1987 (September 30) ABEL Users Manual) indicate that based on the September 30, 1990 conditions alone, Custom Blended Oils, Inc.'s business operations are marginal, if not successful. Although the current ratio (1.80) indicates that the firm may suffer from liquidity problems, both the beaver's ratio (0.47) and the times interest earned ratio (5.12) indicate that the firm is solvent. The debt to equity ratio (0.97) shows that additional debt capacity may be possible (see Table 1).

- According to Custom Blended Oils, Inc.'s September 30, 1990 income statement, sales have increased $170,735 since 1988 (1990: $1,731,092; 1988: $1,560,357). This increase may be accounted for by the "other income" reported in 1990 ($177,296). It is unknown from the documents provided what constitutes "other income." Net income for Custom Blended Oils, Inc. ($85,059) indicates that the firm was more profitable in 1990 than it has ever been. Cash flow ($118,808) and total assets ($589,225) have approximately doubled since 1988, and mortgages and notes have declined slightly to $295,279 (see Table 1).

- Custom Blended Oils, Inc. employed eight (8) drivers in 1990. The number of drivers previously employed by Custom Blended Oils, Inc. is unknown, therefore we are uncertain as to whether hirings have occurred, lay-offs have been made, or if this is the "normal" staff.

- The inventory list provided shows that Custom Blended Oils, Inc. maintains office equipment and operating equipment that value (at purchase price) $435,470. The actual worth of these assets is not known, however it is clear that Custom Blended Oils, Inc. does have assets that can be sold to generate cash.

- Claim information for Custom Blended Oils, Inc. is provided. It is uncertain whether the values given are the actual amounts of the claims or if these values constitute the portion of the claim to be paid by Custom Blended Oils, Inc. Considering our uncertainty regarding the claim given by Custom Blended Oils, Inc.'s management, we cannot make an assessment of how Custom Blended Oils, Inc.'s payment of these claims would effect the firm's ability to pay the imposed civil penalty.

Although the financial ratios commonly used to assess ability to pay and the current financial position of Custom Blended Oils, Inc. indicate that the firm should be able to pay the civil penalty and remain viable, the accuracy of the latest documents from which this information was taken (previously discussed under *Nature of Documents*) must be carefully considered.

Based on the December 31, 1990 statement of working capital, the following observation has been made:

- As of December 31, 1990, Custom Blended Oils, Inc.'s working capital position is a negative $144,390 (calculated as current assets less current liabilities, i.e., $171,341 - $315,731 = $(144,390)). It is in the opinion of R. Ray Simpson, CPA for Custom Blended Oils, Inc. that "the company would not be able to cash flow any additional loan payments or penalty assessments at this time." If these figures are accurate and follow generally accepted accounting principles, we concur with Mr. Simpson's opinion and additionally ask, how can this firm remain in business?

Ability to Pay Issues and Concerns

The following are questions or issues on the party's ability to pay based on our review of the most current documents provided:

- Information given on the September 30, 1990 financial statements provided by Custom Blended Oils, Inc.'s management is "unaudited" which significantly reduces the confidence that can be placed on any conclusions about Custom Blended Oil, Inc.'s ability to pay.

- Information is not available on what happened "financially" to Custom Blended Oils, Inc. between September 30, 1990 and December 31, 1991. The firm received some of their accounts receivable, employee advances were used, as was some of the prepaid interest, yet cash decreased $86,180. Some funds may have been used to pay expenses and to decrease the current long-term debt ($104,309 - $89,340 = $14,969). However, while current long-term debt declined, accounts payable increased $171,425 (from $54,966 (9/30/90) to $226,391 (12/31/91)). More information is needed to clarify this finn's financial position.

As previously stated, further information regarding the accuracy of the financial statements and additional financial information would be helpful in completing a more thorough assessment with better reliability on the ability of Custom Blended Oils, Inc. to pay the civil penalty the U.S. EPA is seeking.

All financial assessments made in this report are based on information provided by Custom Blended Oils, Inc. and R. Ray Simpson, CPA, to the U.S. EPA. Lack of previously mentioned information makes it impossible to perform a complete assessment of Custom Blended Oils, Inc.'s ability to pay the civil penalty sought by the U.S. EPA.

Given the findings of this letter report concerning Custom Blended Oils, Inc., we will await further guidance from you. Please call if you have any questions.

Sincerely,

Shelly L. Wohler

Shelly L. Wohler
Analyst

ms/3729.046

cc: Tom Lentzen, M&E
Dan Francke, DPRA

Table 1. Custom Blended Oils, Inc.'s Financial Information and ABEL Ratios

Tax Return Year	Sales 1/	Taxable Income 2/	Cash Flow 3/	Total Assets 4/	Mortgages and Notes 5/	DE 6/	CR 7/	BR 8/	TIE 9/
1990 (year ending Sept. 30, 1990) 10/									
Custom Blended Oils, Inc.	1,731,092	85,059	118,808	589,225	295,279	.97	1.80	0.47	5.12
1988 (year ending Sept. 30, 1989)									
Custom Blended Oils, Inc.	1,560,357	(2,390)	45,273	297,202	312,234	(11.45)	4.77	0.14	0.89
1987 (year ending Sept. 30, 1988)									
Custom Blended Oils, Inc.	2,153,632	(3,924)	51,745	270,631	282,678	(11.39)	3.76	0.17	0.86
E & L Tank Cleaners, Inc.	630,310	40,034	84,460	232,683	107,221	1.32	0.57	0.64	4.14
Combined	2,783,942	36,110	136,205	503,314	389,899	5.79	1.39	0.32	1.86
1986 (year ending Sept. 30, 1987)									
Custom Blended Oils, Inc.	1,459,609	(32,127)	(21,015)	202,798	214,116	(10.17)	0.69	(0.09)	(10.32)
E & L Tank Cleaners, Inc.	828,573	33,708	84,670	205,842	122,042	2.42	0.81	0.58	2.80
Combined	2,288,182	1,581	63,655	408,640	336,158	9.75	0.72	0.17	1.35
1985 (year ending March 31, 1986)									
E & L Tank Cleaners, Inc.	1,261,031	(7,385)	42,375	187,563	136,040	8.85	0.34	0.25	1.64
1984 (year ending March 31, 1985)									
E & L Tank Cleaners, Inc.	1,990,907	(12,251)	37,006	177,924	133,915	23.25	0.36	0.22	0.28
Critical Values Per ABEL Guidelines						1.50	2.00	0.20 0.10	2.00

1/ From IRS Form 1120, Line 1c.
2/ From IRS Form 1120, Line 30.
3/ From IRS Form 1120, Lines 30 and 20 (Taxable Income + Depreciation).
4/ From IRS Form 1120, Schedule L, Line 14.
5/ From IRS Form 1120, Schedule L, Lines 16 and 19.

An explanation of critical values per ABEL Guidelines is given below:

6/ Debt to Equity: A ratio of greater than 1.5 means the firm may have difficulty when borrowing; Less than 1.5 means possible additional debt capacity. A negative ( ) indicates liabilities are greater than assets and continued operations are unlikely.
7/ Current Ratio: a ratio of greater than 2.0 is a healthy liquidity indicator; Less than 2.0 indicates the firm may suffer from liquidity problems.
8/ After-Tax Cash Flow (Beaver's Ratio): a ratio of greater than .20 is a healthy solvency indicator; Less than .10 or negative ( ) is indicative of poor financial health.
9/ Times Interest Earned Ratio: a ratio greater than 2.0 is a healthy indication that firm is solvent; otherwise, possible solvency problems exist.
10/ All data taken from unaudited September 30, 1990 financial statements provided by Custom Blended Oils, Inc. management.

For Calculation methods see U.S. EPA. 1987 (September 30). ABEL User's Manual (Appendix A).

R. RAY SIMPSON
Certified Public Accountant

13 CHARLTON DRIVE
KANKAKEE, ILLINOIS 60901
PHONE: (815) 932-3282

107 NORTH DIXIE
MOMENCE, ILLINOIS 60954
PHONE: (815) 472-2614

February 1, 1991

Sandra R. Otaka, Esq.
Assistant Regional Counsel
U.S. Environmental Protection Agency
Region V
230 South Dearborn Street
Chicago, Il 60604

Re: Custom Blended Oils, Inc.
USEPA ID NO. ILD069503944

Dear Counsellor:

I have reviewed the current financial position of Custom Blended Oils, Inc. as of December 31, 1990. After calculating their current working capital position to be in excess of a negative $100,000, it is my opinion that the company would not be able to cash flow any additional loan payments or penalty assessments at this time. Furthermore, I don't believe a financial institution would consider a loan at this time based on their ability to pay.

Very Truly Yours,

R Ray Simpson

R. Ray Simpson

Subscribed and sworn to before me this 1st day of February, 1991.

Beulah Cantway

NOTARY PUBLIC

OFFICIAL SEAL
Beulah Cantway
Notary Public, State of Illinois
Commission Expires Jan. 21st. 1993

TESX-D01-R05046-I1-0003

March 1, 1991

Allen Wojtas
MI/WI Technical Enforcement Section
RCRA Enforcement Branch
EPA, Region V
Chicago, IL 60604

Draft

RE: Letter Report, TES X, WA No. R05046 Custom Blended Oils, Inc. (E&L Tank Cleaners, Inc.) Financial Assessment of Ability to Pay; Supplemental Analysis of More Current Data--Replacement of Letter Report Dated February 26, 1991.

Dear Mr. Wojtas:

Due to our receipt of additional Custom Blended Oils, Inc. information on February 26, 1991, and because this supplemental information is so similar to the information summarized in our February 26, 1991 letter report, this letter report will serve as a replacement for the letter report dated February 26, 1991.

We summarize below the results of our review of the financial records provided to us on Wednesday, February 13, 1991, Wednesday, February 20, 1991 and on Tuesday, February 26, 1991. The financial records provided include: (1) September 30, 1990 financial statements of Custom Blended Oils, Inc. compiled by R. Ray Simpson, Certified Public Accountant (CPA). Included with the balance sheet, income statement and statement of changes in retained earnings are an inventory list, claims information and a list of Custom Blended Oils, Inc.'s current 1990 drivers. Although these documents were compiled by Mr. Simpson, the information given on them is a representation of Custom Blended Oils, Inc.'s management and have not been audited nor reviewed by Mr. Simpson; (2) December 31, 1990 statement of working capital (current assets less current liabilities) compiled by R. Ray Simpson, CPA; and (3) 1989 Corporate Income Tax Return and detailed listings of accounts receivable (as of December 31, 1990) and accounts payable (as of December 31, 1990), all compiled by R. Ray Simpson, CPA, as well as a list of Custom Blended Oils, Inc.'s employee lay-offs compiled by Lorene Winkle, President of Custom Blended Oils, Inc.

This analysis supplements our previous letter reports dated November 2, 1990 and November 28, 1990 pertaining to a potentially liable party's (PLPs) ability to pay a civil penalty associated with the Custom Blended Oils, Inc. (E&L Tank Cleaners, Inc.) site. In addition, we have presented issues and questions which, once resolved, would provide additional information for making a final assessment of the facility's ability to pay the civil penalty which the U.S. Environmental Protection Agency (U.S. EPA) is seeking.

Background and Purpose

Custom Blended Oils, Inc. (E&L Tank Cleaners, Inc.) is a treatment/storage/disposal facility that also markets used oil fuel and/or hazardous waste fuel. It is located at South Rathje Road, Peotone, Illinois. Ernest Winkle, President of Custom Blended Oils, Inc. (E&L Tanks Cleaners, Inc.) was issued a Notice of Violation (NOV) by the U.S. EPA for violation of 40 CFR 266.43(b)3 and 4 on August 30, 1988. Due to a deficient response to this NOV, U.S. EPA issued a second NOV on October 12, 1988. A third NOV was issued by the U.S. EPA on January 12, 1989 indicating violations which were determined during a November 18, 1988 inspection of the facility. In response to an April 21, 1989 Information Request issued by the U.S. EPA, Custom Blended Oils, Inc. contended that they did not market off-specification used oil fuel, and thus, the regulations in 40 CFR 266.43(b)(1-5) and (6)(ii) did not apply to them.

However, the U.S. EPA has issued a Complaint and Compliance Order which specifies that Custom Blended Oils, Inc. has failed to meet particular RCRA requirements relating to the marketing of used oil and hazardous waste fuel for energy recovery. A penalty of $85,750 was proposed for the noncompliance. During negotiations with the facility, representatives indicated that the facility is unable to pay the proposed civil penalty.

The purpose of this Letter Report is to supplement previous assessments of Custom Blended Oils, Inc.'s (E&L Tank Cleaners, Inc.) ability to pay a civil penalty of $85,750 and to provide a current assessment of the adequacy of the new documents received from U.S. EPA, in the form of issues and/or questions for any subsequent enforcement proceedings. Inconsistencies are found among the September 30, 1990 financial statements, the December 31, 1990 statement of working capital, and the 1989 Corporate Tax Return, lists of accounts receivable and payable (December 31, 1990), and Custom Blended Oils, Inc.'s lay-off information. It appears, from the September 30, 1990 documents, that Custom Blended Oils, Inc. is a profitable firm and would could pay ~~have no problem~~ paying the assessed civil penalty, however the validity of these documents is questioned as they represent Custom Blended Oils, Inc.'s management figures and have not been audited or reviewed by a CPA. The December 31, 1990 statement of working capital shows a negative $144,390, hence, Custom Blended Oils, Inc. would be unable to make any payment of the assessed civil penalty. The 1989 Corporate Income Tax Return showing a taxable income of $250 and Lorene Winkle's letter identifying laid-off employees of Custom Blended Oils, Inc. also indicate that Custom Blended Oils, Inc.'s business operation is not currently successful and that the firm is unlikely to have the funds available to make any payment of the civil penalty. The inconsistencies make any new insights into ability to pay uncertain.

This assessment has been completed as part of TES X Work Assignment No. R05046 under EPA Contract No. 68-W9-0007.

Nature of Documents

On February 13, 1991, copies of Custom Blended Oils, Inc.'s September 30, 1990 balance sheet, income statement, and statement of changes in retained earnings as developed by Custom Blended Oils, Inc.'s management and compiled by R. Ray Simpson, CPA, were supplied by Allen Wojtas of the U.S. EPA. Also received were reports identifying Custom Blended Oils, Inc.'s current drivers for 1990, inventory, and claim information since 1988. These documents merely represent information from Custom Blended Oils, Inc.'s management and have not been audited or reviewed by a Certified Public Accountant (CPA), nor do they follow generally accepted accounting principles.

On February 20, 1991, a statement of Custom Blended Oils, Inc.'s working capital as of December 31, 1990 estimated by R. Ray Simpson, CPA, was supplied by Allen Wojtas, U.S. EPA. It is unknown if this document represents audited information (we would assume that it does) or if it is, again, a representation of Custom Blended Oils, Inc.'s management.

On February 26, 1991, Custom Blended Oils, Inc.'s 1989 Corporate Income Tax Return and detailed listings of Custom Blended Oils, Inc.'s accounts receivable (December 31, 1990) and accounts payable (December 31, 1990), each compiled by R. Ray Simpson, CPA, were supplied by Allen Wojtas, U.S. EPA. Also provided was a letter written by Lorene Winkle, President of Custom Blended Oils, Inc. identifying a list of employees that have been laid-off and the respective date of each employee lay-off.

Observations

~~Preliminary Conclusions on~~ Ability to Pay

Based on the September 30, 1990 financial statements for ~~current~~ Blended Oils, Inc., list of current 1990 drivers, inventory list and claims information, the following financial observations have been made:

- Financial ratios commonly used to assess ability to pay (see U.S. EPA 1987 (September 30) ABEL Users Manual) indicate that based on the September 30, 1990 conditions alone, Custom Blended Oils, Inc.'s business operations are marginal, if not successful. Although the current ratio (1.80) indicates that the firm may suffer from liquidity problems, both the beaver's ratio (0.47) and the times interest earned ratio (5.12) indicate that the firm is solvent. The debt to equity ratio (0.97) shows that additional debt capacity may be possible (see Table 1).

- According to Custom Blended Oils, Inc.'s September 30, 1990 income statement, sales have increased $170,735 since 1988 (1990: $1,731,092; 1988: $1,560,357). This increase may be accounted for by the "other income" reported in 1990 ($177,296). It is unknown from the documents provided what constitutes "other income." Net income for Custom Blended Oils, Inc. ($85,059) indicates that the firm was more profitable in 1990 than it has ever been. Cash flow ($118,808) and total assets ($589,225) have approximately doubled since 1988, and mortgages and notes have declined slightly to $295,279 (see Table 1).

- Custom Blended Oils, Inc. employed eight (8) drivers in 1990. The number of drivers previously employed by Custom Blended Oils, Inc. is unknown, therefore we are uncertain as to whether hirings have occurred, lay-offs have been made, or if this is the "normal" staff.

- The inventory list provided shows that Custom Blended Oils, Inc. maintains office equipment and operating equipment that value (at purchase price) $435,470. The actual worth of these assets is not known, however it is clear that Custom Blended Oils, Inc. does have assets that can be sold to generate cash.

- Claim information for Custom Blended Oils, Inc. is provided. It is uncertain whether the values given are the actual amounts of the claims or if these values constitute the portion of the claim to be paid by Custom Blended Oils, Inc. Considering our uncertainty regarding the claim given by Custom Blended Oils, Inc.'s management, we cannot make an assessment of how Custom Blended Oils, Inc.'s payment of these claims would effect the firm's ability to pay the imposed civil penalty.

Although the financial ratios commonly used to assess ability to pay and the ~~current~~ financial position of Custom Blended Oils, Inc. indicate that the firm should be able to pay the civil penalty and remain viable, the accuracy of the ~~latest~~ documents from which this information was taken (previously discussed under _Nature of Documents_) must be carefully considered.

Based on the December 31, 1990 statement of working capital, the 1989 Corporate Income Tax Return, the listings of accounts receivable and payable as of December 31, 1990, and Lorene Winkle's letter identifying the employees laid-off from Custom Blended Oils, Inc., the following observations have been made:

- As of December 31, 1990, Custom Blended Oils, Inc.'s working capital position is a negative $144,390 (calculated as current assets less current liabilities, i.e., $171,341 - $315,731 = $(144,390)). It is in the opinion of R. Ray Simpson, CPA for Custom Blended Oils, Inc. that "the company would not be able to cash flow any additional loan payments or penalty assessments at this time." If these figures are accurate and follow generally accepted accounting principles, we concur with Mr. Simpson's opinion and additionally ask, how can this firm remain in business?

- Financial ratios commonly used to assess ability to pay (see U.S. EPA 1987 (September 30). ABEL Users Manual) indicate that based on Custom Blended Oils, Inc.'s 1989 Corporate Income Tax Return (year ending September 30, 1990) the firm is solvent and maintains a healthy liquidity, however an extremely high debt to equity ratio (43.19) indicates that the firm will experience great difficulty in borrowing funds.

  Custom Blended Oils, Inc.'s current ratio of 4.03 indicates healthy liquidity which differs from the current ratio (1.80) calculated using the September 30, 1990 financial statements based on Custom Blended Oils, Inc.'s management figures. Both the beaver's ratio (0.30) and the times interest earned ratio (2.60) indicate solvency as did the beaver's ratio and times interest earned calculated using Custom Blended Oils, Inc.'s unaudited September 30, 1990 financial statements. The large discrepancy between the debt to equity ratios (43.19 and 0.97, based on 1989 Corporate Income Tax Return information and the unaudited September 30, 1990 financial statements information, respectively) is due to the compilation of Income Tax Returns on a cash basis. Therefore no accounts payable were included as part of the total liabilities used in calculating the ratio from the 1989 Income Tax Return, but accounts payable was included in calculating the ratio when using the unaudited financial statements. The absence of accounts payable from total liabilities accounts for the high debt to equity ratio (see Table 1).

- According to Custom Blended Oils, Inc.'s 1989 Corporate Income Tax Return (year ending September 30, 1990) sales are $1,732,118, an increase of $171,761 since 1988 ($1,560,357). This amount is comparable to that given by Custom Blended Oils, Inc.'s management on their September 30, 1990 financial statement ($1,731,092). However, the taxable income ($250), cash flow ($62,571), total assets ($205,491) and mortgages and notes ($192,457) given on the 1989 Corporate Income Tax Return differ from the figures given on the unaudited September 30, 1990 financial statements (i.e., taxable income, $85,059; cash flow, $118,808; total assets, $589,225; mortgages and notes, $295,279).

  The discrepancy between the taxable income figures are accounted for as some of the expenses reported on the 1989 Corporate Income Tax Return are greater than those report on the unaudited September 30, 1990 financial statements (i.e., repairs ($9,975 difference); rents ($1,487 difference); taxes ($2,689 difference); depreciation ($28,572 difference); postage ($534 difference); supplies ($80,432 difference)). In addition, the net operating loss deduction ($38,441) was accounted for on the 1989 Corporate Income Tax Return, reducing the taxable income to an even smaller amount.

  The cash flow difference (calculated as taxable income and depreciation; 1989 Income Tax Return, $62,571; unaudited September 30, 1990 financial statements, $118,808) is accounted for by the discrepancies in taxable income, but this large difference is somewhat offset by the discrepancy in the stated depreciation amounts (1989 Income Tax Return, $250 + $62,321; unaudited September 30, 1990 financial statements, $85,059 + $33,749). The smaller reported amounts for total assets and for mortgages and notes on the 1989 Corporate Income Tax Return is due, again, to the compilation of Income Tax Returns on a cash basis. Accounts receivable and inventory, and accounts payable were not included in the 1989 Income Tax Return calculations for total assets and for mortgages and notes, respectively, however they were used in calculating these figures using the unaudited September 30, 1990 financial statements (see Table 1).

- A list of Custom Blended Oils, Inc.'s accounts receivable as of December 31, 1990 compiled by R. Ray Simpson, CPA, shows a net value of $83,022.81 (total of $92,281.66 less bad debts of $9,258.85). This amount corresponds to the amount used in calculating Custom Blended Oils, Inc.'s working capital position as of December 31, 1990. When comparing this amount ($83,022.81) with the September 30, 1990 amount ($121,586) from the unaudited financial statements, it appears that Custom Blended Oils, Inc. has received $38,563.19 in payment of accounts receivable since September 30, 1990.

- A list of Custom Blended Oils, Inc.'s accounts payable as of December 31, 1990 compiled by R. Ray Simpson, CPA, shows a value due of approximately $372,000. This amount differs from that used in R. Ray Simpson's, CPA, compilation of working capital as he has a current liability amount (accounts payable and current portion of long-term debt of $315,731). When comparing these amounts with the September 30, 1990 amount ($54,966) from the unaudited financial statements, it appears that Custom Blended Oils, Inc. has incurred approximately $261,000 (December 31, 1990 statement of working capital) to $317,000 (December 31, 1990 list of accounts payable) in debt since September 30, 1990.

- A letter dated February 14, 1991 from Lorene Winkle, President of Custom Blended Oils, Inc. identified eight (8) employees that have been laid off and the date that each employee was laid off. She states that the reason for the lay-offs is because the firm does not have the funds to pay the employees. In addition, their business level has become lower than at any time she can remember and no relief is seen in the near future.

[illegible] on the data available,

From ~~these documents~~ it appears that Custom Blended Oils, Inc. is facing hardship in its business operation. It is our opinion that Custom Blended Oils, Inc. would currently have difficulty in paying the assessed civil penalty.

Ability to Pay Issues and Concerns

The following are questions or issues on the party's ability to pay based on our review of the most current documents provided:

- Information given on the September 30, 1990 financial statements provided by Custom Blended Oils, Inc.'s management is "unaudited" which significantly reduces the confidence that can be placed on any conclusions about Custom Blended Oil, Inc.'s ability to pay.

- Information is not available on what happened "financially" to Custom Blended Oils, Inc. between September 30, 1990 and December 31, 1991. Based on the December 31, 1990 statement of working capital, the firm received some of their accounts receivable, employee advances were used, as was some of the prepaid interest, yet cash decreased $86,180. Some funds may have been used to pay expenses and to decrease the current long-term debt ($104,309 - $89,340 = $14,969). However, while current long-term debt declined, accounts payable increased \$171,425 (from \$54,966 (9/30/90) to \$226,391 (12/31/91)). More information is needed to clarify this firm's financial position.

- Information given on the list of accounts payable as of December 31, 1990 provided by R. Ray Simpson, CPA, shows a greater value of accounts payable than does the December 31, 1990 statement of working capital also provided by R. Ray Simpson, CPA. Possibly, the list contains a portion of the current long-term debt as well as accounts payable, however clarification of this discrepancy would be helpful in determining the true financial condition of Custom Blended Oils, Inc.

As previously stated, further information regarding the accuracy of the financial statements and additional financial information would be helpful in completing a more thorough assessment with better reliability on the ability of Custom Blended Oils, Inc. to pay the civil penalty the U.S. EPA is seeking.

All financial assessments made in this report are based on information provided by Custom Blended Oils, Inc. and R. Ray Simpson, CPA, to the U.S. EPA. Lack of previously mentioned information makes it impossible to perform a complete assessment of Custom Blended Oils, Inc.'s ability to pay the civil penalty sought by the U.S. EPA.

Given the findings of this letter report concerning Custom Blended Oils, Inc., we will await further guidance from you. Please call if you have any questions.

Sincerely,

Shelly L. Wohler
Analyst

ms/3729.046

cc: Tom Lentzen, M&E
Dan Francke, DPRA

Table 1. Custom Blended Oils, Inc.'s Financial Information and ABEL Ratios

Tax Return Year	Sales 1/	Taxable Income 2/	Cash Flow 3/	Total Assets 4/	Mortgages and Notes 5/	DE 6/	CR 7/	BR 8/	TIE 9/
1990 (year ending Sept. 30, 1990)									
Custom Blended Oils, Inc.	1,732,118	250	62,571	205,491	192,457	43.19	4.03	0.30	2.60
	(1,731,092) 10/	(85,059) 10/	(118,808) 10/	(589,225) 10/	(295,279) 10/	(.97) 10/	1.80 10/	0.47 10/	5.12 10/
1988 (year ending Sept. 30, 1989)									
Custom Blended Oils, Inc.	1,560,357	(2,390)	45,273	297,202	312,234	(11.45)	4.77	0.14	0.89
1987 (year ending Sept. 30, 1988)									
Custom Blended Oils, Inc.	2,153,632	(3,924)	51,745	270,631	282,678	(11.39)	3.76	0.17	0.86
E & L Tank Cleaners, Inc.	630,310	40,034	84,460	232,683	107,221	1.32	0.57	0.64	4.14
Combined	2,783,942	36,110	136,205	503,314	389,899	5.79	1.39	0.32	1.86
1986 (year ending Sept. 30, 1987)									
Custom Blended Oils, Inc.	1,459,609	(32,127)	(21,015)	202,798	214,116	(10.17)	0.69	(0.09)	(10.32)
E & L Tank Cleaners, Inc.	828,573	33,708	84,670	205,842	122,042	2.42	0.81	0.58	2.80
Combined	2,288,182	1,581	63,655	408,640	336,158	9.75	0.72	0.17	1.35
1985 (year ending March 31, 1986)									
E & L Tank Cleaners, Inc.	1,261,031	(7,385)	42,375	187,563	136,040	8.85	0.34	0.25	1.64
1984 (year ending March 31, 1985)									
E & L Tank Cleaners, Inc.	1,990,907	(12,251)	37,006	177,924	133,915	23.25	0.36	0.22	0.28
Critical Values Per ABEL Guidelines						1.50	2.00	0.20 0.10	2.00

1/ From IRS Form 1120, Line 1c.
2/ From IRS Form 1120, Line 30.
3/ From IRS Form 1120, Lines 30 and 20 (Taxable Income + Depreciation).
4/ From IRS Form 1120, Schedule L, Line 14.
5/ From IRS Form 1120, Schedule L, Lines 16 and 19.

An explanation of critical values per ABEL Guidelines is given below:

6/ Debt to Equity: A ratio of greater than 1.5 means the firm may have difficulty when borrowing; Less than 1.5 means possible additional debt capacity. A negative ( ) indicates liabilities are greater than assets and continued operations are unlikely.
7/ Current Ratio: a ratio of greater than 2.0 is a healthy liquidity indicator; Less than 2.0 indicates the firm may suffer from liquidity problems.
8/ After-Tax Cash Flow (Beaver's Ratio): a ratio of greater than .20 is a healthy solvency indicator; Less than .10 or negative ( ) is indicative of poor financial health.
9/ Times Interest Earned Ratio: a ratio greater than 2.0 is a healthy indication that firm is solvent; otherwise, possible solvency problems exist.
10/ All data in parentheses taken from unaudited September 30, 1990 financial statements provided by Custom Blended Oils, Inc. management.

For Calculation methods see U.S. EPA. 1987 (September 30). ABEL User's Manual (Appendix A).

DPRA File 3729.046 TESX-001-R05046-12-0004

February 26, 1991

Allen Wojtas
MI/WI Technical Enforcement Section
RCRA Enforcement Branch
EPA, Region V
Chicago, IL 60604

RE: Letter Report, TES X, WA No. R05046 Custom Blended Oils, Inc. (E&L Tank Cleaners, Inc.) Financial Assessment of Ability to Pay; Supplemental Analysis of More Current Data

Dear Mr. Wojtas:

We summarize below the results of our review of the financial records provided to us on Wednesday, February 13, 1991 and on Wednesday, February 20, 1991. The financial records provided include: (1) September 30, 1990 financial statements of Custom Blended Oils, Inc. compiled by R. Ray Simpson, Certified Public Accountant (CPA). Included with the balance sheet, income statement and statement of changes in retained earnings are an inventory list, claims information and a list of Custom Blended Oils, Inc.'s current 1990 drivers. Although these documents were compiled by Mr. Simpson, the information given on them is a representation of Custom Blended Oils, Inc.'s management and have not been audited nor reviewed by Mr. Simpson; and (2) December 31, 1990 statement of working capital (current assets less current liabilities) compiled by R. Ray Simpson, CPA.

This analysis supplements our previous letter reports dated November 2, 1990 and November 28, 1990 pertaining to a potentially liable party's (PLPs) ability to pay a civil penalty associated with the Custom Blended Oils, Inc. (E&L Tank Cleaners, Inc.) site. In addition, we have presented issues and questions which, once resolved, would provide additional information for making a final assessment of the facility's ability to pay the civil penalty which the U.S. Environmental Protection Agency (U.S. EPA) is seeking.

Background and Purpose

Custom Blended Oils, Inc. (E&L Tank Cleaners, Inc.) is a treatment/storage/disposal facility that also markets used oil fuel and/or hazardous waste fuel. It is located at South Rathje Road, Peotone, Illinois. Ernest Winkle, President of Custom Blended Oils, Inc. (E&L Tanks Cleaners, Inc.) was issued a Notice of Violation (NOV) by the U.S. EPA for violation of 40 CFR 266.43(b)3 and 4 on August 30, 1988. Due to a deficient response to this NOV, U.S. EPA issued a second NOV on October 12, 1988. A third NOV was issued by the U.S. EPA on January 12, 1989 indicating violations which were determined during a November 18, 1988 inspection of the facility. In response to an April 21, 1989 Information Request issued by the U.S. EPA, Custom Blended Oils, Inc. contended that they did not market off-specification used oil fuel, and thus, the regulations in 40 CFR 266.43(b)(1-5) and (6)(ii) did not apply to them.

However, the U.S. EPA has issued a Complaint and Compliance Order which specifies that Custom Blended Oils, Inc. has failed to meet particular RCRA requirements relating to the marketing of used oil and hazardous waste fuel for energy recovery. A penalty of $85,750 was proposed for the noncompliance. During negotiations with the facility, representatives indicated that the facility is unable to pay the proposed civil penalty.

The purpose of this Letter Report is to supplement previous assessments of Custom Blended Oils, Inc.'s (E&L Tank Cleaners, Inc.) ability to pay a civil penalty of $85,750 and to provide a current assessment of the adequacy of the new documents received from U.S. EPA, in the form of issues and/or questions for any subsequent enforcement proceedings. Inconsistencies are found between the September 30, 1990 financial statements and the December 31, 1990 statement of working capital. It appears, from the September 30, 1990 documents, that Custom Blended Oils, Inc. is a profitable firm and would have no problem paying the assessed civil penalty, however the validity of these documents is questioned as they represent Custom Blended Oils, Inc.'s management figures and have not been audited or reviewed by a CPA. The December 31, 1990 statement of working capital shows a negative $144,390, hence, Custom Blended Oils, Inc. would be unable to make any payment of the assessed civil penalty. The inconsistencies make any new insights into ability to pay uncertain.

This assessment has been completed as part of TES X Work Assignment No. R05046 under EPA Contract No. 68-W9-0007.

Nature of Documents

On February 13, 1991, copies of Custom Blended Oils, Inc.'s September 30, 1990 balance sheet, income statement, and statement of changes in retained earnings as developed by Custom Blended Oils, Inc.'s management and compiled by R. Ray Simpson, CPA, were supplied by Allen Wojtas of the U.S. EPA. Also received were reports identifying Custom Blended Oils, Inc.'s current drivers for 1990, inventory, and claim information since 1988. These documents merely represent information from Custom Blended Oils, Inc.'s management and have not been audited or reviewed by a Certified Public Accountant (CPA), nor do they follow generally accepted accounting principles.

On February 20, 1991, a statement of Custom Blended Oils, Inc.'s working capital as of December 31, 1990 estimated by R. Ray Simpson, CPA, was again supplied by Allen Wojtas, U.S. EPA. It is unknown if this document represents audited information (we would assume that it does) or if it is, again, a representation of Custom Blended Oils, Inc.'s management.

Preliminary Conclusions on Ability to Pay

Based on the September 30, 1990 financial statements for current Blended Oils, Inc., list of current 1990 drivers, inventory list and claims information, the following financial observations have been made:

- Financial ratios commonly used to assess ability to pay (see U.S. EPA 1987 (September 30) ABEL Users Manual) indicate that based on the September 30, 1990 conditions alone, Custom Blended Oils, Inc.'s business operations are marginal, if not successful. Although the current ratio (1.80) indicates that the firm may suffer from liquidity problems, both the beaver's ratio (0.47) and the times interest earned ratio (5.12) indicate that the firm is solvent. The debt to equity ratio (0.97) shows that additional debt capacity may be possible (see Table 1).

- According to Custom Blended Oils, Inc.'s September 30, 1990 income statement, sales have increased $170,735 since 1988 (1990: $1,731,092; 1988: $1,560,357). This increase may be accounted for by the "other income" reported in 1990 ($177,296). It is unknown from the documents provided what constitutes "other income." Net income for Custom Blended Oils, Inc. ($85,059) indicates that the firm was more profitable in 1990 than it has ever been. Cash flow ($118,808) and total assets ($589,225) have approximately doubled since 1988, and mortgages and notes have declined slightly to $295,279 (see Table 1).

- Custom Blended Oils, Inc. employed eight (8) drivers in 1990. The number of drivers previously employed by Custom Blended Oils, Inc. is unknown, therefore we are uncertain as to whether hirings have occurred, lay-offs have been made, or if this is the "normal" staff.

- The inventory list provided shows that Custom Blended Oils, Inc. maintains office equipment and operating equipment that value (at purchase price) $435,470. The actual worth of these assets is not known, however it is clear that Custom Blended Oils, Inc. does have assets that can be sold to generate cash.

- Claim information for Custom Blended Oils, Inc. is provided. It is uncertain whether the values given are the actual amounts of the claims or if these values constitute the portion of the claim to be paid by Custom Blended Oils, Inc. Considering our uncertainty regarding the claim given by Custom Blended Oils, Inc.'s management, we cannot make an assessment of how Custom Blended Oils, Inc.'s payment of these claims would effect the firm's ability to pay the imposed civil penalty.

Although the financial ratios commonly used to assess ability to pay and the current financial position of Custom Blended Oils, Inc. indicate that the firm should be able to pay the civil penalty and remain viable, the accuracy of the latest documents from which this information was taken (previously discussed under *Nature of Documents*) must be carefully considered.

Based on the December 31, 1990 statement of working capital, the following observation has been made:

- As of December 31, 1990, Custom Blended Oils, Inc.'s working capital position is a negative $144,390 (calculated as current assets less current liabilities, i.e., $171,341 - $315,731 = $(144,390)). It is in the opinion of R. Ray Simpson, CPA for Custom Blended Oils, Inc. that "the company would not be able to cash flow any additional loan payments or penalty assessments at this time." If these figures are accurate and follow generally accepted accounting principles, we concur with Mr. Simpson's opinion and additionally ask, how can this firm remain in business?

Ability to Pay Issues and Concerns

The following are questions or issues on the party's ability to pay based on our review of the most current documents provided:

- Information given on the September 30, 1990 financial statements provided by Custom Blended Oils, Inc.'s management is "unaudited" which significantly reduces the confidence that can be placed on any conclusions about Custom Blended Oil, Inc.'s ability to pay.

- Information is not available on what happened "financially" to Custom Blended Oils, Inc. between September 30, 1990 and December 31, 1991. The firm received some of their accounts receivable, employee advances were used, as was some of the prepaid interest, yet cash decreased $86,180. Some funds may have been used to pay expenses and to decrease the current long-term debt ($104,309 - $89,340 = $14,969). However, while current long-term debt declined, accounts payable increased $171,425 (from $54,966 (9/30/90) to $226,391 (12/31/91)). More information is needed to clarify this firm's financial position.

As previously stated, further information regarding the accuracy of the financial statements and additional financial information would be helpful in completing a more thorough assessment with better reliability on the ability of Custom Blended Oils, Inc. to pay the civil penalty the U.S. EPA is seeking.

All financial assessments made in this report are based on information provided by Custom Blended Oils, Inc. and R. Ray Simpson, CPA, to the U.S. EPA. Lack of previously mentioned information makes it impossible to perform a complete assessment of Custom Blended Oils, Inc.'s ability to pay the civil penalty sought by the U.S. EPA.

Given the findings of this letter report concerning Custom Blended Oils, Inc., we will await further guidance from you. Please call if you have any questions.

Sincerely,

Shelly L. Wohler

Shelly L. Wohler
Analyst

ms/3729.046

cc: Tom Lentzen, M&E
Dan Francke, DPRA

Table 1. Custom Blended Oils, Inc.'s Financial Information and ABEL Ratios

Tax Return Year	Sales 1/	Taxable Income 2/	Cash Flow 3/	Total Assets 4/	Mortgages and Notes 5/	DE 6/	CR 7/	BR 8/	TIE 9/
1990 (year ending Sept. 30, 1990) 10/									
Custom Blended Oils, Inc.	1,731,092	85,059	118,808	589,225	295,279	.97	1.80	0.47	5.12
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Custom Blended Oils, Inc.	1,560,357	(2,390)	45,273	297,202	312,234	(11.45)	4.77	0.14	0.89
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Custom Blended Oils, Inc.	2,153,632	(3,924)	51,745	270,631	282,678	(11.39)	3.76	0.17	0.86
E & L Tank Cleaners, Inc.	630,310	40,034	84,460	232,683	107,221	1.32	0.57	0.64	4.14
Combined	2,783,942	36,110	136,205	503,314	389,899	5.79	1.39	0.32	1.86
1986 (year ending Sept. 30, 1987)									
Custom Blended Oils, Inc.	1,459,609	(32,127)	(21,015)	202,798	214,116	(10.17)	0.69	(0.09)	(10.32)
E & L Tank Cleaners, Inc.	828,573	33,708	84,670	205,842	122,042	2.42	0.81	0.58	2.80
Combined	2,288,182	1,581	63,655	408,640	336,158	9.75	0.72	0.17	1.35
1985 (year ending March 31, 1986)									
E & L Tank Cleaners, Inc.	1,261,031	(7,385)	42,375	187,563	136,040	8.85	0.34	0.25	1.64
1984 (year ending March 31, 1985)									
E & L Tank Cleaners, Inc.	1,990,907	(12,251)	37,006	177,924	133,915	23.25	0.36	0.22	0.28
Critical Values Per ABEL Guidelines						1.50	2.00	0.20 0.10	2.00

1/ From IRS Form 1120, Line 1c.
2/ From IRS Form 1120, Line 30.
3/ From IRS Form 1120, Lines 30 and 20 (Taxable Income + Depreciation).
4/ From IRS Form 1120, Schedule L, Line 14.
5/ From IRS Form 1120, Schedule L, Lines 16 and 19.

An explanation of critical values per ABEL Guidelines is given below:

6/ Debt to Equity: A ratio of greater than 1.5 means the firm may have difficulty when borrowing; Less than 1.5 means possible additional debt capacity. A negative ( ) indicates liabilities are greater than assets and continued operations are unlikely.
7/ Current Ratio: a ratio of greater than 2.0 is a healthy liquidity indicator; Less than 2.0 indicates the firm may suffer from liquidity problems.
8/ After-Tax Cash Flow (Beaver's Ratio): a ratio of greater than .20 is a healthy solvency indicator; Less than .10 or negative ( ) is indicative of poor financial health.
9/ Times Interest Earned Ratio: a ratio greater than 2.0 is a healthy indication that firm is solvent; otherwise, possible solvency problems exist.
10/ All data taken from unaudited September 30, 1990 financial statements provided by Custom Blended Oils, Inc. management.

For Calculation methods see U.S. EPA. 1987 (September 30). ABEL User's Manual (Appendix A).

R. RAY SIMPSON
Certified Public Accountant

13 CHARLTON DRIVE
KANKAKEE, ILLINOIS 60901
PHONE: (815) 932-3282

107 NORTH DIXIE
MOMENCE, ILLINOIS 60954
PHONE: (815) 472-2614

February 13, 1991

Sandra R Otaka, Esq.
Assistant Regional Counsel
U.S. Environmental Protection Agency
Region V
230 South Dearborn Street
Chicago, Illinois 60604

RE: Custom Blended Oils, In
USEPA ID #ILD069503944

Dear Counsellor:

Enclosed are listings of the information I used to make my calculation of Custom Blended Oils, Inc. working capital position as of December 31, 1990. The listings support the following calculations.

CURRENT ASSETS:	
Cash	$ 5,663
Accounts Receivable	83,022
Inventory (Estimate)	55,000
Prepaid Interest	27,656
TOTAL CURRENT ASSETS	$ 171,341
CURRENT LIABILITIES:	
Accounts Payable	$ 226,391
Current Portion L.T. Debt	89,340
TOTAL CURRENT LIABILITIES	$ 315,731
WORKING CAPITAL	$(144,390)

If you have any questions, please call.

Very truly yours,

R. Ray Simpson CPA

RRS:lb

DPRA

November 28, 1990

Allen Wojtas
MI/WI Technical Enforcement Section
RCRA Enforcement Branch
EPA, Region V
Chicago, IL 60604

RE: Addendum Letter Report, TES X, WA No. R05046 Financial Assessment of Ernest and Lorene Winkle Regarding Ability to Pay a Civil Penalty

Dear Mr. Wojtas:

The following material summarizes DPRA's preliminary findings from a review of the new data provided which pertains to Ernest and Lorene Winkle's personal ability to pay the penalty associated with the Custom Blended Oils, Inc. (E&L Tank Cleaners, Inc.) site. They are the owners and corporate officers of the company. In addition, we have presented a number of questions, the answers to which would allow a more conclusive assessment of the company's and official's ability to pay the penalty the EPA is seeking.

Background and Purpose

Custom Blended Oils, Inc. (E&L Tank Cleaners, Inc.) is a treatment/storage/disposal facility that also markets used oil fuel and/or hazardous waste fuel. It is located at South Rathje Road, Peotone, Illinois. Ernest Winkle, President of Custom Blended Oils, Inc. (E&L Tanks Cleaners, Inc.) was issued a Notice of Violation (NOV) by the U.S. EPA for violation of 40 CFR 266.43(b)3 and 4 on August 30, 1988. Due to a deficient response to this NOV, U.S. EPA issued a second NOV on October 12, 1988. A third NOV was issued by the U.S. EPA on January 12, 1989 indicating violations which were determined during a November 18, 1988 inspection of the facility. In response to an April 21, 1989 Information Request issued by the U.S. EPA, Custom Blended Oils, Inc. contended that they did not market off-specification used oil fuel, and thus, the regulations in 40 CFR 266.43(b)(1-5) and (6)(ii) did not apply to them.

However, the U.S. EPA has issued a Complaint and Compliance Order which specifies that Custom Blended Oils, Inc. has failed to meet particular RCRA requirements relating to the marketing of used oil and hazardous waste fuel for energy recovery. A penalty of $85,750 was proposed for the noncompliance. During negotiations with the facility, representatives indicated that the facility is unable to pay the proposed civil penalty.

On November 2, 1990, DPRA prepared and delivered a Letter Report to EPA providing an assessment of Custom Blended Oils, Inc.'s (E&L Tank Cleaners, Inc.) ability to pay a civil penalty of $85,750 and to provide an assessment of the adequacy of documents received from U.S. EPA, in the form of issues and/or questions for any subsequent enforcement proceedings. The purpose of this Letter Report is to provide a further assessment of this issue by reviewing data pertaining to Ernest and Lorene Winkle's personal ability to pay the civil penalty. The resolution of the issues and/or the answers to the questions provided should help resolve some remaining concerns regarding Custom Blended Oils, Inc.'s (E&L Tank Cleaners, Inc.) ability to pay a civil penalty.

This assessment has been completed as indicated in the Statement of Work and Work Plan for TES X Work Assignment No. R05046 under EPA Contract No. 68-W9-0007.

Nature of Documents

Photocopies of U.S. Individual Income Tax Returns for the years 1984 through 1989 were supplied to the U.S. EPA by Ray Simpson, CPA, accountant for Ernest and Lorene Winkle and Custom Blended Oils, Inc. (E&L Tank Cleaners, Inc.).

Also provided were U.S. Corporate tax returns which were previously analyzed in our November 2, 1990 Letter Report (see attached). As that Letter Report explained, the earlier analysis conducted on Custom Blended Oils, Inc. (E&L Tank Cleaners, Inc.) indicated that some form of payment of the assessed penalty was possible, although conclusive evidence on the level of payment currently feasible was not available.

DPRA Incorporated received the additional documents (i.e., U.S. Individual Income Tax Returns) from Allen Wojtas, EPA Primary Contact, on November 21, 1990 and completed the following supplemental assessment.

Assessment of Ability to Pay

In reviewing Ernest and Lorene Winkle's tax returns for the years 1984 through 1989, it appears that their major personal assets have included income from salary and wages, their home (value unknown), their commercial property (purchase price $53,000), and a bond, mortgage or security from LLW & Associates ($77,000; written off as a capital loss in 1988).

The Winkle's income from wages and salaries (see Form 1040, U.S. Individual Income Tax Returns, Page 1, Line 7) for the years 1984 through 1989 is limited. The amount of wage and salary income ranges from $19,380 in 1988 to $20,824 in 1985. This limited income level, by itself, can not contribute significantly in paying the assessed civil penalty. However, tax statements are biased in that they report only income and do not provide complete information on assets or actual net worth. In an effort to determine the Winkle's personal ability to pay the assessed penalty, several issues, in addition to these income assets, need to be considered.

First, total liabilities for each year should be compared with total assets to obtain a clearer understanding of the Winkle's financial position. However, due to a lack of comprehensive asset and liability-related data, a complete assessment can not be conducted. A brief summary of the liability data available is provided in the following paragraphs.

An obvious personal asset and liability is the home owned by Ernest and Lorene Winkle. They have reported yearly interest payments on their home mortgage (see Form 1040, U.S. Individual Income Tax Returns, Schedule A, Page 1, Line 9a) ranging from $3,529 in 1985 to $2,078 in 1989. These payments indicate a relatively modest house or low debt level or both. Generally, this would not appear to be a major source of equity. Furthermore, we are not qualified to address the legality of including private homes for consideration in the financial settlement of the Compliance Order.

Personal interest was also paid to various sources by the Winkle's in each of the years, 1984 through 1989 (see Form 1040, U.S. Individual Inc. Tax Returns, Schedule A, Page 1, Line 12a). In both 1986 and 1987, $980 in interest was paid to GMAC and in 1986, $1,230 in interest was paid to Municipal Bank. These were the largest interest payments made. While the level of assets corresponding to these liabilities are unknown, the amount of the payments are minor, suggesting that no large assets were realized through these liabilities. More information is needed on the types and amounts of these personal liabilities and assets to make more definite conclusions.

As well as making interest payments, Ernest and Lorene Winkle's tax returns report substantial interest earnings in the years 1985 through 1988. In 1989, interest income decreased over $10,000 (1988: $10,509; 1989: $327) as reported on Line 8a of the first page of Form 1040 of the Individual Income Tax Returns (if over $400 in interest income is reported, see a detailed breakdown on Schedule B-Interest and Dividend Income, Page 2, Part I, Line 2). This substantial loss of interest income was due to the Winkle's writing-off of $77,000 in bonds, mortgages or other securities (LLW & Associates) as a long-term Capital Loss. Also, in 1989, the Winkles wrote off $148,000 in unknown assets as a long-term Capital Loss (see Form 1040, U.S. Individual Income Tax Returns, Schedule D-Capital Gains and Losses, Part II, Line 17). It is unknown if these are true losses or business write-offs with some potential recoverability or residual value.

An analysis of the assets providing these interest earnings would be beneficial in assessing Custom Blended Oils, Inc.'s (E&L Tank Cleaners, Inc.) ability to pay. By assuming general interest rates, it is possible to estimate the corresponding general amount of principal (assets) which might be available to pay the environmental penalty. The estimated principal is shown below for 1985 through 1989 by combining all interest earnings for a year as reported in the income tax returns and applying typical interest rates to this amount in order to calculate corresponding principal levels. A high and low interest rate is assumed for each year and is based on common interest bearing investments as documented below.

Year	Reported Interest earnings	Interest Rates(%) High a/	Interest Rates(%) Low b/	Estimated Corresponding Principal Amount c/ Low	Estimated Corresponding Principal Amount c/ High
1985	$ 6,608	10.1	7.5	$ 65,000	$ 88,000
1986	$10,455	7.3	6.0	$143,000	$174,000
1987	$12,633	7.9	5.8	$160,000	$218,000
1988	$10,509	8.6	6.7	$122,000	$157,000
1989	$ 327	8.9d/	7.6	$ 3,700	$ 4,300

a/ 3-Year U.S. Treasury Bonds, Board of Governors of the Federal Reserve System, Annual Statistical Digest as cited in Department of Commerce, Statistical Abstract of the United States.
b/ 3-Month Treasury bills, source same as above.
c/ Assuming annual payment.
d/ Corporate bond rate-Moody's AAA.

This analysis suggests that Ernest and Lorene Winkle now have considerably less interest bearing assets in 1989 ($3,700-$4,300) than in earlier years (e.g., 1988: $122,000-$157,000).

The individual income tax returns provided also show that, in addition to owning a home, Ernest and Lorene Winkle own a commercial property in Peotone, Illinois. As no interest payments are made (or, no payments are explicitly stated in the tax returns), it appears that the Winkle's own this property "free and clear." The value of this property at the time of purchase in 1974 was $53,000 (see 1984 Form 1040, U.S. Individual Income Tax Return, Schedule E-Supplemental Income Schedule, Page 2, Part V, (c)). Assuming 5% appreciation in value per year, this property would currently be worth over $100,000. The Winkle's are also receiving rental income from this property (1989: $21,805-Form 1040, U.S. Individual Income Tax Return, 1989, Page 1, Line 18). This property apparently includes a 10,000 sq. ft. lot with the building (see Form 1040, 1984 U.S. Individual Income Tax Return, Schedule E-Supplemental Income Schedule, Page 1, Part V). Its general location would seem to enhance its commercial value as Peotone is located near Interstate 57 about 30 miles south of Chicago, Illinois.

Putting the unknown liabilities aside, the interest income received by the Winkle's, the rental income received from the commercial property, as well as the value of the property itself would indicate that the Winkle's, as corporate officers and owners, could pay some of the penalty assessed by the EPA. It does not appear from the information reviewed that the Winkle's could pay the entire $85,750 penalty. However, without an actual assessment of the value of the commercial property and without further information regarding the unknown liabilities, a thorough evaluation of their ability to pay can not be made.

Additional Questions/Area of Concern

There are several questions/concerns which should be answered/addressed in order to more conclusively determine the amount of Ernest and Lorene Winkle's potential contribution to the ordered penalty. Again, the information considered for purposes of this report excluded certain critical factors, such as the value of the liabilities, the nature of the assets which generated interest income, and property issues. Specific questions we have are:

1. In 1988, the officers of Custom Blended Oils, Inc. were not compensated and no loans were granted, yet the Winkle's individual tax return showed a positive amount for wages, salaries, tips, etc. It does not seem likely that the income was generated by Lorene Winkle as her occupation is stated as "housewife" on the tax returns. How was the income generated? Is it a potential source of future income?

2. An IRS Form 4562 4-year ACRS Schedule for Custom Blended Oils, Inc. shows that nine (9) of E&L Tank Cleaners, Inc.'s assets (with a combined cost or basis value of $60,512 or a 1989 depreciated value of $13,716) were conveyed to Custom Blended Oils, Inc., however three (3) of these assets (combined cost or basis value of $16,400) were fully depreciated as of September 30, 1989. The question still remains, however, as to what happened to the other E&L Tank Cleaner, Inc. assets found on IRS Form 4562 (1986) Depreciation and Amortization Schedule (combined cost or basis value of $505,977, or a 1988 depreciated value of $44, 426). Although it is shown that some of these "other assets" were fully depreciated and had no book value, some market value for these assets must have been available; or were these assets merely disposed of without regard to their value; or were the proceeds from the sale of these assets (if they were sold) used to pay off E&L Tank Cleaners, Inc.'s debt?

3. What is Custom Cleaning Systems, Inc.? Does it generate significant cash flow or represent a source of financial liquidity or assets? (See Form 1040 1988 Income Tax Return--Schedule B-Interest and Dividend Income, Page 2, Part I, No. 2 and Schedule E-Supplemental Income Schedule, Page 2, Part II-Income or Loss From Partnerships and S Corporations)

4. Interest income was reported on tax returns for the years 1984 through 1988. The sources of the reported amounts are given, but values were not. What specific types of assets are these and what are their values?

Recommendations

In addition to possibly seeking information to the above questions, the EPA might also consider the following specific recommendations to obtain additional substantive information:

1. Solicit a preliminary appraisal of the commercial property in Peotone, Illinois and other key assets of company.

2. Request information on the nature and the status of the Winkle's former interest paying asset from LLW & Associates.

3. Request from the Winkle's a notarized current net worth statement. See attached standard form.

Conclusions

As was previously stated, the information on Custom Blended Oil's and the Winkle's liabilities, interest bearing assets, other assets and property is not sufficient for a thorough and conclusive financial assessment of their ability to pay the civil penalty the U.S. EPA is seeking. From the information evaluated, it appears that Custom Blended Oils, Inc. and/or the Winkle's can pay some of the civil penalty. However, a lump-sum payment of the entire $85,750 penalty by either Custom Blended Oils, Inc. and/or the Winkle's is doubtful. It is our professional opinion that a smaller lump-sum payment or installment payments of $15,000 to $30,000 would appear to have some feasibility based primarily on the equity potential in the Peotone commercial property, the sales and profit potential of Custom Blended Oil and equity in the business property (trucks and trailers).

From a financial perspective, it is difficult to be very conclusive as the companies and their owners face a problem common to small businesses. They appear to have relatively significant assets but have liquidity and cash flow problems in converting the assets to cash either through mortgages or liquidation. Finally, all financial assessments made in this report are based only upon the information provided by the U.S. EPA. It should be understood that the available data, while providing significant insight, is not sufficient to complete a precise assessment of Ernest and Lorene Winkle's or Custom Blended Oil's ability to pay the civil penalty sought by the EPA. Additional questions still remain as shown above, and financial conditions can change rapidly and historic data can be misleading.

Given the findings of this Addendum Letter Report concerning Ernest and Lorene Winkle's personal ability to help pay the penalty assessed in regard to the Custom Blended Oils, Inc. (E&L Tank Cleaning, Inc.) site, we await further guidance and input from you. If you have any questions, please call.

Sincerely,

Shelly L. Wohler

Shelly L. Wohler
Analyst

kmh/3729.046
cc: Daniel Francke, DPRA Incorporated
Tom Lentzen, Metcalf & Eddy

[illegible] Form No. 645 Individual Financial Statement

INDIVIDUAL FINANCIAL STATEMENT

Confidential

Name ______________________ Phone ____________ Date of Birth ____________

Residence ______________________ Social Security Number ____________

Business or Occupation ______________________ Address ____________

To ______________________ Date of Statement ____________

ASSETS

Cash on hand and in banks (A) . . . $ ________
U. S. Government securities (B) . . ________
Other stocks and bonds (B) . . . . . ________
Accounts and notes receivable (C):
Due from relatives and friends . ________
Due from others – good . . . . . ________
Due from others – doubtful . . . ________
Real estate (D) . . . . ________
Automobiles . . . . ________
Cash value of life insurance (E) . . . ________
Other assets – itemize

____
____
____
____

Total assets . . . . $ ________

LIABILITIES AND NET WORTH

Notes due to banks (A) . . . . $ ________
Notes due to relatives and friends (F) . . . . ________
Notes due to others (F) . . . . ________
Accounts and bills due (F) . . . . . ________
Unpaid income taxes . . . . ________
Other unpaid taxes and interest . . ________
Real estate mortgages payable (D) . ________
Contract accounts payable (F) . . . ________
Brokers margin accounts . . . . ________
Other debts – itemize

____
____

Total liabilities . . . . $ ________
Net worth . . . . ________
Total liabilities and net worth . . . . $ ________

CONTINGENT LIABILITIES

As endorser, comaker, or guarantor . . . . $ ________
On leases or contracts . . . . ________
Legal claims . . . . ________
Federal income taxes . . . . ________
Other – list

____
____

ANNUAL INCOME

Salary . . . . $ ________
Commissions and bonuses . . . . . . ________
Dividends . . . . ________
Rental and lease income (net of operating expenses) . . . . ________
Other – list Alimony, child support, or separate maintenance income need not be revealed if you do not wish to have it considered as a basis for repaying this obligation.

____
____

For the purpose of procuring credit from time to time, I furnish the foregoing as a true and accurate statement of my financial condition. Authorization is hereby given to the bank to verify in any manner it deems appropriate any and all items indicated on this application. False statements may be subject to prosecution under Title 18 of the U. S. Code.

____
DATE

____
SIGNATURE

____
SIGNATURE

(over)

(A) CASH IN BANKS AND NOTES DUE TO BANKS

NAME OF BANK	ON DEPOSIT	DUE BANKS	COLLATERAL (IF ANY)
	$	$	

(B) U.S. GOVERNMENT SECURITIES AND OTHER STOCKS AND BONDS

NO. OF SHARES OR FACE VALUE (BONDS)	DESCRIPTION	COST	MARKET VALUE
		$	$

(C) ACCOUNTS AND NOTES RECEIVABLE

BORROWER	WHEN DUE	BALANCE DUE	ORIGINAL AMOUNT	SECURITY (IF ANY)
		$	$	

(D) REAL ESTATE

DESCRIPTION	DATE ACQUIRED	TITLE IN WHOSE NAME	COST	PRESENT VALUE	MORTGAGE	
					AMOUNT	HOW PAYABLE
			$	$	$	

(E) LIFE INSURANCE

AMOUNT	NAME OF COMPANY	BENEFICIARY	CASH VALUE	LOANS
$			$	$

(F) NOTES, CONTRACTS, ACCOUNTS, AND BILLS DUE

OWED TO	DATE	BALANCE DUE	WHEN DUE	PURPOSE OR COLLATERAL (IF ANY)
		$		

TESX-D01-R05046-I2-0001

DPRA

November 2, 1990

Allen Wojtas
MI/WI Technical Enforcement Section
RCRA Enforcement Branch
EPA, Region V
Chicago, IL 60604

RE: Letter Report, TES X, WA No. R05046 Custom Blended Oils, Inc. (E&L Tank Cleaners, Inc.) Financial Assessment of Ability to Pay

Dear Mr. Wojtas:

We summarize below the results of our review of the content and adequacy of financial records, and findings of a financial assessment pertaining to a potentially liable party's (PLP's) ability to pay a civil penalty associated with the Custom Blended Oils, Inc. (E&L Tank Cleaners, Inc.) site. In addition, we have presented a number of issues and questions, the resolution of which would provide additional information for making a final assessment of the facility's ability to pay the civil penalty which the U.S. Environmental Protection Agency (U.S. EPA) is seeking.

Background and Purpose

Custom Blended Oils, Inc. (E&L Tank Cleaners, Inc.) is a treatment/storage/disposal facility that also markets used oil fuel and/or hazardous waste fuel. It is located at South Rathje Road, Peotone, Illinois. Ernest Winkle, President of Custom Blended Oils, Inc. (E&L Tanks Cleaners, Inc.) was issued a Notice of Violation (NOV) by the U.S. EPA for violation of 40 CFR 266.43(b)3 and 4 on August 30, 1988. Due to a deficient response to this NOV, U.S. EPA issued a second NOV on October 12, 1988. A third NOV was issued by the U.S. EPA on January 12, 1989 indicating violations which were determined during a November 18, 1988 inspection of the facility. In response to an April 21, 1989 Information Request issued by the U.S. EPA, Custom Blended Oils, Inc. contended that they did not market off-specification used oil fuel, and thus, the regulations in 40 CFR 266.43(b)(1-5) and (6)(ii) did not apply to them.

However, the U.S. EPA has issued a Complaint and Compliance Order which specifies that Custom Blended Oils, Inc. has failed to meet particular RCRA requirements relating to the marketing of used oil and hazardous waste fuel for energy recovery. A penalty of $85,750 was proposed for the noncompliance. During negotiations with the facility, representatives indicated that the facility is unable to pay the proposed civil penalty.

The purpose of this letter report is to provide an assessment of Custom Blended Oils, Inc.'s (E&L Tank Cleaners, Inc.) ability to pay a civil penalty of $85,750 and to provide an assessment of the adequacy of documents received from U.S. EPA, in the form of issues and/or questions for any subsequent enforcement proceedings. The resolution of the issues and/or the answers to the questions provided should help resolve any remaining concerns regarding Custom Blended Oils, Inc.'s (E&L Tank Cleaners, Inc.) ability to pay the civil penalty.

This assessment has been completed as indicated in the Statement of Work and Work Plan for TES X Work Assignment No. R05046 under EPA Contract No. 68-W9-0007.

200 Research Drive PO Box 727 Manhattan, Kansas 66502 Telephone 913-539-3565 FAX 913-539-
Other offices: Washington, DC St Paul, Chicago, Denver, Dallas, Kansas City, Oak Ridge

Nature of Documents
Photocopies of U.S. Corporate Tax Returns for both Custom Blended Oils, Inc. (for tax years 1986, 1987 and 1988; years ending September 30, 1987, 1988 and 1989) and E&L Tank Cleaners, Inc. (for tax years 1984, 1985, 1986, and 1987; years ending March 31, 1985, 1986, 1987, and 1988) were supplied by Allen Wojtas, of the U.S. EPA to Dan Francke, Vice President, DPRA Incorporated on October 19, 1990. Also received were Dun & Bradstreet reports for Custom Blended Oils, Inc. (Statement Dates: September 30, 1987 and September 30, 1989) and E&L Tank Cleaners, Inc. (Statement Date: March 31, 1988 and Statement of Rating Change dated December 4, 1989). These are the only financial documents received.

Preliminary Conclusions on Ability to Pay
Based on the data received, the following financial observations have been made:

- Financial ratios commonly used to assess ability to pay (see U.S. EPA 1987 (Sept. 30). ABEL Users Manual) indicate possible problems in Custom Blended Oils, Inc. (E&L Tank Cleaners, Inc.) paying the assessed civil penalty (see Table 1). Debt-to-equity ratios are extremely high and have sometimes been negative. Other key ratios have been marginal for the most part also. Although a basic trend in business activity can usually be determined using these financial ratios, when comparing them with industry target values, the ratios used (i.e., current ratio, Beaver's ratio, times interest earned ratio, and debt-to-equity ratio) may give inconsistent interpretations of a firm's business operations.

  For example, based on E&L Tank Cleaners, Inc.'s current ratio for tax years 1984 through 1987 (ranging from .34 to .81), this facility has faced constant liquidity problems. This implies that the firm may not be able to raise funds to meet it's short-run obligations and that one or more of its current assets are at an undesirable level. However, cash flow the (Beaver's) ratio for tax years 1984 through 1987 (ranging from .22 to .64) and the times interest earned ratio for tax years 1986 and 1987 (2.80 and 4.14) showed that the facility was solvent and able to pay its debts as well as the interest on its debts out of its earnings. By 1987, E&L Tank Cleaners, Inc. had reduced its debt to a level (+1.32) where additional debt capacity was possible. Therefore, E&L Tank Cleaners, Inc.'s 1987 financial ratios indicated that it, without Custom Blended Oils, Inc.'s involvement faced possible liquidity problems, but was in a satisfactory financial position.

  When operations for E&L Tank Cleaners, Inc. were assessed with Custom Blended Oils, Inc.'s operations in 1986 and 1987, the combined debt to equity ratio showed that the firm may have difficulty when borrowing (9.75 and 5.79) and the current ratio (.72 and 1.39) again showed some possible liquidity problems.

  Alone, Custom Blended Oils, Inc. had a difficult first year (tax year 1986) with liquidity and solvency problems, overall poor financial health and a negative debt to equity ratio indicating that continuing operations were unlikely. In 1987 and 1988, Custom Blended Oils, Inc.'s cash flow (Beaver's) ratio indicated that it's financial health was marginal (.17 and .14). It's current ratio for 1987 and 1988 (3.76 and 4.77) indicated that it was solvent and able to pay its debts. However, based on the times interest earned ratio for tax years 1987 and 1988 (.86 and .89), only 86% (1987) and 89% (1988) of Custom Blended Oils, Inc.'s earnings were available to pay the interest on its debts. Therefore, the satisfactory business operations of E&L Tank Cleaners, Inc. during 1986 and 1987 offset the poor financial position faced by Custom Blended Oils, Inc. And, although Custom Blended Oils, Inc.'s 1988 debt to equity ratio indicated that continuing operations were unlikely, its positive cash flow and the current assets available (shown by the current ratio of 4.77) indicated that a restructuring of business activities could be accomplished making some form of payment of the imposed civil penalty possible.

- Custom Blended Oils, Inc. (E&L Tank Cleaners, Inc.) has reported no interest income which suggests no liquid assets in the form of savings, CD's money markets or other interest bearing assets. However, the current assets of $67,590 ($35,655 (cash) + $3,670 (trade notes) + $28,265 (other)) shown for the fiscal year ending September 30, 1989 could provide some cash for payment of the civil penalty.

- Historical net losses by Custom Blended Oils, Inc. for the tax years 1986, 1987, and 1988 (years ending September 30, 1987, 1988, and 1989) would also prohibit the corporation from paying a $85,750 civil penalty. However, E&L Tank Cleaners, Inc.'s assets and profits indicate sound business operations, and when assessed in combination with Custom Blended Oils, Inc. it appears that payment of some of the penalty is possible.

- It appears that payment of the penalty may have to be scheduled given the limited resources. Two possible scenarios are considered; three year and five year. On a three year (36 months) payment schedule, at 12 percent interest, annual payments of $31,431.46 would pay off an $85,750 civil penalty. On a five year (60 months) payment schedule, at 12 percent interest, the annual payments of $19,057.00 would pay off an $85,750 civil penalty.

  Based on the sales figures from Custom Blended Oils, Inc's 1988 Corporate Tax Return, the three year schedule for payment of the civil penalty with annual payments of $31,431.46 is only 2 percent of sales. The five year payment schedule with annual payments of $19,057 is 1.2 percent of sales. It appears from these comparisons, that either payment schedule is attainable given a small increase in prices or sales or some combination of each. E&L Tank Cleaners profits equalled or exceeded these payment levels in 1986 and 1987.

- Attached to E&L Tank Cleaners, Inc.'s 1987 IRS Corporate Tax Return is IRS Form 4562 (Depreciation and Amortization), which lists the properties owned by the facility on an depreciation/ACRS schedule. The same form, also with an attached schedule, is provided with Custom Blended Oils, Inc.'s 1986 IRS Corporate Tax Return. A comparison was made between the two facilities' Form 4562s in trying to determine if any conveyance of E&L Tank Cleaners, Inc.'s assets to Custom Blended Oils, Inc. occurred before it ceased operations in 1987. As no duplication of assets was found, E&L Tank Cleaners, Inc.'s assets were either liquidated or conveyed elsewhere (presumably to the company's owners). If so, the owners or officers may have financial resources that could be made available for possible payment of the penalty.

Although the financial ratios commonly used to asses ability to pay and historical net losses by Custom Blended Oils, Inc. indicate possible problems in its ability to pay the civil penalty, it appears from the positive cash flow, the historical sales level and the unexplained value of E&L Tank Cleaners, Inc.'s assets that some form of payment can be made.

Ability to Pay Issues and Concerns

The following are key questions or issues on the party's ability to pay based on our review of available documents:

- Ernest and Loraine Winkle, company officials, might be able to provide some finances but their personal ability to pay can not be determined as personal financial records are not available.

- What happened to E&L Tank Cleaners, Inc.'s assets? Were the assets totally depreciated and not of any value? Were the assets sold and, if so, where did the proceeds from the sale go? Were the assets sold and the proceeds used to pay off E&L Tank Cleaners, Inc.'s debt, or were they conveyed directly to the officers/owners?

  In comparing the assets (property) owned by E&L Tank Cleaners, Inc. (IRS Form 4562 (1986), Depreciation and Amortization schedule) with those owned by Custom Blended Oils, Inc. (IRS Form 4562 (1986), Depreciation and Amortization schedule), no conveyance of assets was found. The assets were also unique for each company indicating no duplication of asset values.

  In tax year 1988, the officers of Custom Blended Oils, Inc. were not compensated and loans to the stockholders ($426) were paid off during the year rather than granted. What did the Winkles receive in terms of income during 1988?

- Is an itemized list of assets available for the total assets valued at $339,049 (IRS Form 1120 (1988))? A substantial increase in asset value was incurred during the year ($56,750)--was this one large asset or a number of smaller assets?

- Is a schedule available for total depreciation of $114,444 (IRS Form 1120 (1988))? Depreciation increased ($47,663) as assets increased--knowing the value of these assets would aid in the assessment of the firm's ability to pay.

- How are the assets valued? Market value could be significantly different than book value (purchase price - depreciation).

- Between the years of 1987 and 1988, Custom Blended Oils, Inc.'s commissions, insurance, waste disposal and gas and oil deductions decreased substantially ($73,127), while the telephone expense increased by $15,601. Was the firm attempting to change its business tactics knowing that it was not financially successful?

- Does Custom Blended Oils, Inc. operate underground storage tanks? If so, what are their plans for complying with EPA financial assurance requirements? These plans could possibly provide insight on specific financial resources.

As previously stated, further information on the owner's and officer's personal assets or other financial resources would be helpful for a more thorough financial assessment of ability of liable parties to pay the civil penalty the U.S. EPA is seeking. Because the owners and chief corporate officers (Ernest and Loraine Winkle) of the company may also be liable or a source of finances for Custom Blended Oils, Inc., we recommend that the EPA request copies of personal tax returns for Ernest and Loraine Winkle for consideration in assessing their ability to provide funds to the company in payment of the civil penalty.

All financial assessments made in this report are based on the information provided by the U.S. EPA. Lack of the previously mentioned information makes it impossible to perform a complete assessment of Ernest Winkle's (Custom Blended Oils, Inc.'s) ability to pay the civil penalty sought by the U.S. EPA.

The tax records reviewed were one year old and there was not a list of personal assets for owners and officers. More current tax records, a list of personal assets, a depreciation schedule, and personal net worth statements could result in a more thorough analysis supporting more definitive conclusions.

Given the findings of this Letter Report concerning Custom Blended Oils, Inc., we will await further guidance and comments from you. If you have any questions, please call.

Sincerely,

Shelly L. Wohler

Shelly L. Wohler
Analyst

kmh/3729.046

cc: Daniel Francke, DPRA Incorporated

Table 1. Custom Blended Oils, Inc.'s Financial Information and ABEL Ratios.

Tax Return Year	Sales 1/	Taxable Income 2/	Cash Flow 3/	Total Assets 4/	Mortgages and Notes 5/	ABEL Ratios DE 6/	CR 7/	BR 8/	TIE 9/
1988 (year ending Sept. 30, 1989)									
Custom Blended Oils, Inc.	1,560,357	(2,390)	45,273	297,202	312,234	(11.45)	4.77	0.14	0.89
1987 (year ending Sept. 30, 1988)									
Custom Blended Oils, Inc.	2,153,632	(3,924)	51,745	270,631	282,678	(11.39)	3.76	0.17	0.86
E & L Tank Cleaners, Inc.	630,310	40,034	84,460	232,683	107,221	1.32	0.57	0.64	4.14
Combined	2,783,942	36,110	136,205	503,314	389,899	5.79	1.39	0.32	1.86
1986 (year ending Sept. 30, 1987)									
Custom Blended Oils, Inc.	1,459,609	(32,127)	(21,015)	202,798	214,116	(10.17)	0.69	(0.09)	(10.32)
E & L Tank Cleaners, Inc.	828,573	33,708	84,670	205,842	122,042	2.42	0.81	0.58	2.80
Combined	2,288,182	1,581	63,655	408,640	336,158	9.75	0.72	0.17	1.35
1985 (year ending March 31, 1986)									
E & L Tank Cleaners, Inc.	1,261,031	(7,385)	42,375	187,563	136,040	8.85	0.34	0.25	1.64
1984 (year ending March 31, 1985)									
E & L Tank Cleaners, Inc.	1,990,907	(12,251)	37,006	177,924	133,915	23.25	0.36	0.22	0.28
Critical Values per ABEL Guidelines						1.50	2.00	0.20 0.10	2.00

1/ From IRS Form 1120, Line 1c.
2/ From IRS Form 1120, Line 30.
3/ From IRS Form 1120. Lines 30 and 20 (Taxable Income + Depreciation).
4/ From IRS Form 1120, Schedule L, Line 14.
5/ From IRS Form 1120, Schedule L, Lines 16 and 19.

An explanation of critical values per ABEL Guidelines is given below:

6/ Debt to Equity: A ratio of greater than 1.5 means the firm may have difficulty when borrowing; Less than 1.5 means possible additional debt capacity. A negative () indicates liabilities are greater than assets and continued operations are unlikely.
7/ Current Ratio: A ratio of greater than 2.0 is a healthy liquidity indicator; Less than 2.0 indicates the firm may suffer from liquidity problems.
8/ After-Tax Cash Flow (Beaver's Ratio): A ratio of greater than .20 is a healthy solvency indicator; Less than .10 or negative () is indicative of poor financial health.
9/ Times Interest Earned Ratio: A ratio greater than 2.0 is a healthy indication that firm is solvent; otherwise, possible solvency problems exist.

For calculation methods see U. S. EPA. 1987 (September 30). ABEL User's Manual (Appendix A).

Justification for _ Fiancial Ratios calculations

Debt to Equity Ratio: Total Liabilities/(Assets - Total Liabilities)

Total Liabilities = Accounts payable + Mortgages, notes, and bonds payable in less than 1 year + Other current liabilities + Loans from stockholders + Mortgages, notes, and bonds payable in greater than 1 year + Other liabilities

Assets = Liabilities + Shareholder's equity

or

(IRS Form 1120, Schedule L, Line 15 + Line 16 + Line 17 + Line 18 + Line 19 + Line 20)/[(IRS Form 1120, Schedule L, Line 26) -(IRS Form 1120, Schedule L, Line 15 + Line 16 + Line 17 + Line 18 + Line 19)]

or

	Custom Blended Oil	E & L Tank Cleaners	Combined
1988	-11.4494	--------	--------
1987	-11.3881	1.323113	5.791628
1986	-10.1652	2.423511	9.753967
1985	--------	8.854621	--------
1984	--------	23.25024	--------

Current Ratio: Current Assets/Current Liabilities

Current Assets = Cash + Accounts Receivable + Inventories + Federal and state obligations + Other current assets

Current Liabilities = Accounts Payable = Mortgages, notes, and bonds payable in less than 1 year + Other current liabilities

or

(IRS Form 1120, Schedule L, Line 1 + Line 2a + Line 3 + Line 4 + Line 5)/(IRS Form 1120, Schedule L, Line 15 + Line 16 + Line 17)

or

	Custom Blended Oil	E & L Tank Cleaners	Combined
1988	4.766592	--------	--------
1987	3.761514	0.571063	1.394896
1986	0.686962	0.805397	0.720226
1985	--------	0.340788	--------
1984	--------	0.359119	--------

Beaver's Ratio: Cash flow after taxes/Total Liabilities

Cash Flow After Taxes = Taxable income + Credits from regulated investment companies + Special fuel credits + Depreciation + Depletion + Book income not reported on the tax return - Income tax

or

(IRS Form 1120, Line 30 + Line 32e + Line 32f + Line 21b + Line 22 + IRS Form 1120, Schedule M-1, Line 7 - IRS Form 1120, Line 31)

or

	Custom Blended Oil	E & L Tank Cleaners	Combined
1988	0.139026	--------	--------
1987	0.174412	0.637323	0.317342
1986	-0.09343	0.581062	0.171743
1985	--------	0.251439	--------
1984	--------	0.216933	--------

Times Interest Earned Ratio: Earnings before interest and taxes/Interest expense

Earnings Before Interest and Taxes = Book net income + Interest expense

or

((IRS Form 1120, Schedule M-1, Line 1 + IRS Form 1120, Line 17)/(IRS Form 1120, Line 17)

or

	Custom Blended Oil	E & L Tank Cleaners	Combined
1988	0.894792	--------	--------
1987	0.864893	4.137707	1.863717
1986	-10.3243	2.79563	1.348573
1985	--------	1.636378	--------
1984	--------	0.281761	--------

Source: U. S. EPA. 1987 (September 30). ABEL User's Manual (Appendix A).

E & L Tank Cleaners	S32: (-1773+24735+4298)/(67406+8502)
	V32: '--------
	M34: 'Beaver's Ratio:
	O34: ' Cash flow after taxes/Total Liabilities
	O35: ' Cash Flow After Taxes = Taxable income + Credits from regulated investment companies + Special fuel credits + Depreciation
	R36: ' + Depletion + Book income not reported on the tax return - Income tax
	O37: ' or
	O38: ' (IRS Form 1120, Line 30 + Line 32e + Line 32f + Line 21b + Line 22 + IRS Form 1120, Schedule M-1, Line 7 - IRS Form 1120, Line 31)
	O39: ' or
Beaver's Ratio:	P40: 'Custom Blended Oil
	S40: 'E & L Tank Cleaners
	V40: 'Combined
1988	O41: ' 1988
Custom Blended Oils	P41: (-2390+47663)/(13410+312234)
	S41: '--------
	V41: '--------
1987	O42: ' 1987
Custom Blended Oils	P42: (-3924+55669)/(14005+282678)
E&L Tank Cleaners	S42: (40034+44426)/(32607+7625+17677+74614)
Combined	V42: (-3924+55669+40034+44426)/(14005+282678+32607+7625+17677+74614)
1986	O43: ' 1986
Custom Blended Oils	P43: (-32127+11112)/224925
E&L Tank Cleaners	S43: (33708+50962)/145716
Combined	V43: (-32127+11112+33708+50962)/(224925+145716)
1985	O44: ' 1985
	P44: '--------
E & L Tank Cleaners	S44: (-7385+49760)/168530
	V44: '--------
1984	O45: ' 1984
	P45: '--------
E & L Tank Cleaners	S45: (-12251+49257)/170587
	V45: '--------
	M47: 'Times Interest
	O47: '
	M48: ' Earned Ratio:
	O48: ' Earnings before interest and taxes/Interest expense
	O49: ' Earnings Before Interest and Taxes = Book net income + Interest expense
Times Interest	O50: ' or
	O51: ' (IRS Form 1120, Schedule M-1, Line 1 + IRS Form 1120, Line 17)/(IRS Form 1120, Line 17)
Earned Ratio:	O52: ' or
	O53: '
	P53: 'Custom Blended Oil
	S53: 'E & L Tank Cleaners
	V53: 'Combined
1988	O54: ' 1988
Custom Blended Oils	P54: (-2390+22717)/22717
	S54: '--------
	V54: '--------
1987	O55: ' 1987
Custom Blended Oils	P55: (-3925+29051)/29051
E&L Tank Cleaners	S55: (40034+12759)/12759
Combined	V55: (-3925+29051+40037+12759)/(29051+12759)
1986	O56: ' 1986
Custom Blended Oils	P56: (-32127+2837)/2837
E & L Tank Cleaners	S56: (41093+22885)/22885
Combined	V56: (-32127+2837+41093+22885)/(2837+22885)
1985	O57: ' 1985
	P57: '--------
E & L Tank Cleaners	S57: (11696+18379)/18379

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                              M3: 'Justification for ABEL Fiancial Ratios calculations
                              M5: 'Debt to Equity Ratio:  Total Liabilities/(Assets - Total Liabilities)
                              06: '     Total Liabilities = Accounts payable + Mortgages, notes, and bonds payable in less than 1 year + Other current liabilities
                              Q7: '       + Loans from stockholders + Mortgages, notes, and bonds payable in greater than 1 year + Other liabilities
                              08: '     Assets = Liabilities + Shareholder's equity
                              09: '   or
                              010: '     (IRS Form 1120, Schedule L, Line 15 + Line 16 + Line 17 + Line 18 + Line 19 + Line 20)/[(IRS Form 1120, Schedule L, Line 26)
                              011: '     -(IRS Form 1120, Schedule L, Line 15 + Line 16 + Line 17 + Line 18 + Line 19)]
                              012: '   or
                              P14: 'Custom Blended Oil
Debt to Equity Ratio:         S14: 'E & L Tank Cleaners
                              V14: 'Combined
1988                          015: '   1988
Custom Blended Oils           P15: (13410+312234)/(297202-(13410+312234))
                              S15: '---------
                              V15: '--------
1987                          016: '   1987
Custom Blended Oils           P16: (14005+282678)/((270631)-(14005+282678))
E&L Tank Cleaners             S16: (32607+7625+17677+74614)/(232683-(32607+7625+17677+74614))
Combined                      V16: (14005+282678+32607+7625+17677+74614)/((270631+232683)-(14005+282678+32607+7625+17677+74614))
1986                          017: '   1986
Custom Blended Oils           P17: (121837+10709+92379)/(202798-(121837+10709+92379))
E&L Tank Cleaners             S17: (48770+2997+20677+73272)/(205842-(48770+2997+20677+73272))
Combined                      V17: (121837+10709+92379+48770+2997+20677+73272)/((202798+205842)-(121837+10709+92379+48770+2997+20677+73272))
1985                          018: '   1985
                              P18: '--------
E&L Tank Cleaners             S18: (68740+4320+28170+67300)/(187563-(68740+4320+28170+67300))
                              V18: '--------
1984                          019: '   1984
                              P19: '--------
E&L Tank Cleaners             S19: (67406+8502+28170+66509)/(177924-(67406+8502+28170+66509))
                              V19: '--------
                              M21: 'Current Ratio:         Current Assets/Current Liabilities
                              022: '     Current Assets = Cash + Accounts Receivable + Inventories + Federal and state obligations + Other current assets
                              023: '     Current Liabilities = Accounts Payable = Mortgages, notes, and bonds payable in less than 1 year + Other current liabilities
                              024: '   or
                              025: '     (IRS Form 1120, Schedule L, Line 1 + Line 2a + Line 3 + Line 4 + Line 5)/(IRS Form 1120, Schedule L, Line 15 + Line 16 + Line 17)
                              026: '   or
Current Ratio:                P27: 'Custom Blended Oil
                              S27: 'E & L Tank Cleaners
                              V27: 'Combined
1988                          028: '   1988
Custom Blended Oils           P28: (35655+28265)/13410
                              S28: '--------
                              V28: '--------
1987                          029: '   1987
Custom Blended Oils           P29: (13458+39222)/14005
E&L Tank Cleaners             S29: (4472+16517+1986)/(32607+7625)
Combined                      V29: (13458+39222+4472+16517+1986)/(14005+32607+7625)
1986                          030: '   1986
Custom Blended Oils           P30: (59422+31632)/(121837+10709)
E&L Tank Cleaners             S30: (11264+25945+4484)/(48770+2997)
Combined                      V30: (59422+31632+11264+25945+4484)/(121837+10709+48770+2997)
1985                          031: '   1985
                              P31: '--------
E&L Tank Cleaners             S31: (7176+13288++4434)/(68740+4320)
                              V31: '--------
1984                          032: '   1984
                              P32: '--------
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1984
E&L Tank Cleaners

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V57: '--------
O58: '   1984
P58: '--------
S58: (-12251+17057)/17057
V58: '--------
M60: 'Source:  U. S. EPA.  1987 (September 30).  ABEL User's Manual (Appendix A).
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November 2, 1990

Allen Wojtas
MI/WI Technical Enforcement Section
RCRA Enforcement Branch
EPA, Region V
Chicago, IL 60604

RE: Letter Report, TES X, WA No. R05046 Custom Blended Oils, Inc. (E&L Tank Cleaners, Inc.) Financial Assessment of Ability to Pay

Dear Mr. Wojtas:

We summarize below the results of our review of the content and adequacy of financial records, and findings of a financial assessment pertaining to a potentially liable party's (PLP's) ability to pay a civil penalty associated with the Custom Blended Oils, Inc. (E&L Tank Cleaners, Inc.) site. In addition, we have presented a number of issues and questions, the resolution of which would provide additional information for making a final assessment of the facility's ability to pay the civil penalty which the U.S. Environmental Protection Agency (U.S. EPA) is seeking.

<u>Background and Purpose</u>
Custom Blended Oils, Inc. (E&L Tank Cleaners, Inc.) is a treatment/storage/disposal facility that also markets used oil fuel and/or hazardous waste fuel. It is located at South Rathje Road, Peotone, Illinois. Ernest Winkle, President of Custom Blended Oils, Inc. (E&L Tanks Cleaners, Inc.) was issued a Notice of Violation (NOV) by the U.S. EPA for violation of 40 <u>CFR</u> 266.43(b)3 and 4 on August 30, 1988. Due to a deficient response to this NOV, U.S. EPA issued a second NOV on October 12, 1988. A third NOV was issued by the U.S. EPA on January 12, 1989 indicating violations which were determined during a November 18, 1988 inspection of the facility. In response to an April 21, 1989 Information Request issued by the U.S. EPA, Custom Blended Oils, Inc. contended that they did not market off-specification used oil fuel, and thus, the regulations in 40 <u>CFR</u> 266.43(b)(1-5) and (6)(ii) did not apply to them.

However, the U.S. EPA has issued a Complaint and Compliance Order which specifies that Custom Blended Oils, Inc. has failed to meet particular RCRA requirements relating to the marketing of used oil and hazardous waste fuel for energy recovery. A penalty of $85,750 was proposed for the noncompliance. During negotiations with the facility, representatives indicated that the facility is unable to pay the proposed civil penalty.

The purpose of this letter report is to provide an assessment of Custom Blended Oils, Inc.'s (E&L Tank Cleaners, Inc.) ability to pay a civil penalty of $85,750 and to provide an assessment of the adequacy of documents received from U.S. EPA, in the form of issues and/or questions for any subsequent enforcement proceedings. The resolution of the issues and/or the answers to the questions provided should help resolve any remaining concerns regarding Custom Blended Oils, Inc.'s (E&L Tank Cleaners, Inc.) ability to pay the civil penalty.

This assessment has been completed as indicated in the Statement of Work and Work Plan for TES X Work Assignment No. R05046 under EPA Contract No. 68-W9-0007.

200 Research Drive P.O. Box 727 Manhattan, Kansas 66502 Telephone 913-539-3565 FAX 913-539-5353 Telex 704314
Other offices: Washington, D.C., St. Paul, Chicago, Denver, Dallas, Kansas City, Oak Ridge, Nairobi, Kenya

Nature of Documents
Photocopies of U.S. Corporate Tax Returns for both Custom Blended Oils, Inc. (for tax years 1986, 1987 and 1988; years ending September 30, 1987, 1988 and 1989) and E&L Tank Cleaners, Inc. (for tax years 1984, 1985, 1986, and 1987; years ending March 31, 1985, 1986, 1987, and 1988) were supplied by Allen Wojtas, of the U.S. EPA to Dan Francke, Vice President, DPRA Incorporated on October 19, 1990. Also received were Dun & Bradstreet reports for Custom Blended Oils, Inc. (Statement Dates: September 30, 1987 and September 30, 1989) and E&L Tank Cleaners, Inc. (Statement Date: March 31, 1988 and Statement of Rating Change dated December 4, 1989). These are the only financial documents received.

Preliminary Conclusions on Ability to Pay
Based on the data received, the following financial observations have been made:

- Financial ratios commonly used to assess ability to pay (see U.S. EPA 1987 (Sept. 30). ABEL Users Manual) indicate possible problems in Custom Blended Oils, Inc. (E&L Tank Cleaners, Inc.) paying the assessed civil penalty (see Table 1). Debt-to-equity ratios are extremely high and have sometimes been negative. Other key ratios have been marginal for the most part also. Although a basic trend in business activity can usually be determined using these financial ratios, when comparing them with industry target values, the ratios used (i.e., current ratio, Beaver's ratio, times interest earned ratio, and debt-to-equity ratio) may give inconsistent interpretations of a firm's business operations.

  For example, based on E&L Tank Cleaners, Inc.'s current ratio for tax years 1984 through 1987 (ranging from .34 to .81), this facility has faced constant liquidity problems. This implies that the firm may not be able to raise funds to meet it's short-run obligations. However, the cash flow (Beaver's) ratio for tax years 1984 through 1987 (ranging from .22 to .64) and the times interest earned ratio for tax years 1986 and 1987 (2.80 and 4.14) showed that the facility was solvent and able to pay its debts as well as the interest on its debts out of its earnings. By 1987, E&L Tank Cleaners, Inc. had reduced its debt to a level (+1.32) where additional debt capacity was possible. Therefore, E&L Tank Cleaners, Inc.'s 1987 financial ratios indicated that it, without Custom Blended Oils, Inc.'s involvement, faced possible liquidity problems, but was in a satisfactory financial position.

  When operations for E&L Tank Cleaners, Inc. were assessed with Custom Blended Oils, Inc.'s operations in 1986 and 1987, the combined high debt to equity ratio showed that the firm would have difficulty borrowing (9.75 and 5.79) and the current ratio (.72 and 1.39) again showed some possible liquidity problems.

  Alone, Custom Blended Oils, Inc. had a difficult first year (tax year 1986) with liquidity and solvency problems, overall poor financial health and a negative debt to equity ratio indicating that continuing operations were unlikely. In 1987 and 1988, Custom Blended Oils, Inc.'s cash flow (Beaver's) ratio indicated that it's financial health was marginal (.17 and .14). It's current ratio for 1987 and 1988 (3.76 and 4.77) indicated that it was solvent and able to pay its immediate obligations. However, based on the times interest earned ratio for tax years 1987 and 1988 (.86 and .89), Custom Blended Oils, Inc. will be able to meet only 86% (1987) and 89% (1988) of its interest obligation. Therefore, the satisfactory business operations of E&L Tank Cleaners, Inc. during 1986 and 1987 offset the poor financial position faced by Custom Blended Oils, Inc. And, although Custom Blended Oils, Inc.'s 1988 debt to equity ratio indicated that continuing operations were unlikely, its positive cash flow and the current assets available (shown by the current ratio of 4.77) indicated that a restructuring of business activities could be accomplished making some form of payment of the imposed civil penalty possible.

- Custom Blended Oils, Inc. (E&L Tank Cleaners, Inc.) has reported no interest income which suggests no liquid assets in the form of savings, CD's money markets or other interest bearing assets. However, the current assets of $67,590 ($35,655 (cash) + $3,670 (trade notes) + $28,265 (other)) shown for the fiscal year ending September 30, 1989 could provide some cash for payment of the civil penalty.

- Historical net losses by Custom Blended Oils, Inc. for the tax years 1986, 1987, and 1988 (years ending September 30, 1987, 1988, and 1989) would also prohibit the corporation from paying a $85,750 civil penalty. However, E&L Tank Cleaners, Inc.'s assets and profits indicate sound business operations, and when assessed in combination with Custom Blended Oils, Inc. it appears that payment of some of the penalty is possible.

- It appears that payment of the penalty may have to be scheduled given the limited resources. Two possible scenarios are considered; three year and five year. On a three year (36 months) payment schedule, at 12 percent interest, annual payments of $31,431.46 would pay off an $85,750 civil penalty. On a five year (60 months) payment schedule, at 12 percent interest, the annual payments of $19,057.00 would pay off an $85,750 civil penalty.

  Based on the sales figures from Custom Blended Oils, Inc's 1988 Corporate Tax Return, the three year schedule for payment of the civil penalty with annual payments of $31,431.46 is only 2 percent of sales. The five year payment schedule with annual payments of $19,057 is 1.2 percent of sales. It appears from these comparisons, that either payment schedule is attainable given a small increase in prices or sales or some combination of each. E&L Tank Cleaners profits equalled or exceeded these payment levels in 1986 and 1987.

- In 1987, Custom Blended Oil and E&L Tank had combined assets of $503,314 including $270,631 for Custom Blended Oil and $232,683 for E&L Tank. However, in 1988, no assets are reported for E&L Tank and Custom Blended Oil only had $297,202 in assets. Attached to E&L Tank Cleaners, Inc.'s 1987 IRS Corporate Tax Return is IRS Form 4562 (Depreciation and Amortization), which lists the properties owned by the facility on an depreciation/ACRS schedule. The same form, also with an attached schedule, is provided with Custom Blended Oils, Inc.'s 1986 IRS Corporate Tax Return. A comparison was made between the two companies' Form 4562s in trying to determine if any conveyance of E&L Tank Cleaners, Inc.'s assets to Custom Blended Oils, Inc. occurred before it ceased operations in 1987. As no duplication of assets was found, E&L Tank Cleaners, Inc.'s assets apparently were either liquidated or conveyed elsewhere (presumably to the company's owners). If so, the owners or officers may have financial resources that could be made available for possible payment of the penalty.

Although the financial ratios commonly used to asses ability to pay and historical net losses by Custom Blended Oils, Inc. indicate possible problems in its ability to pay the civil penalty, it appears from the positive cash flow, the historical sales level and the unexplained value of E&L Tank Cleaners, Inc.'s assets that some form of payment may be possible.

Ability to Pay Issues and Concerns

The following are key questions or issues on the party's ability to pay based on our review of available documents:

- Ernest and Loraine Winkle, company officials, might be able to provide some finances but their personal ability to pay can not be determined as personal financial records are not available.

- What happened to E&L Tank Cleaners, Inc.'s assets? Were the assets totally depreciated and not of any value? Were the assets sold and, if so, where did the proceeds from the sale go? Were the assets sold and the proceeds used to pay off E&L Tank Cleaners, Inc.'s debt, or were they conveyed directly to the officers/owners?

  In comparing the assets (property) owned by E&L Tank Cleaners, Inc. (IRS Form 4562 (1986), Depreciation and Amortization schedule) with those owned by Custom Blended Oils, Inc. (IRS Form 4562 (1986), Depreciation and Amortization schedule), no conveyance of assets was found. The assets were also unique for each company indicating no duplication of asset values.

  In tax year 1988, the officers of Custom Blended Oils, Inc. were not compensated and loans to the stockholders ($426) were paid off during the year rather than granted. What did the Winkles receive in terms of income during 1988?

- Is an itemized list of assets available for the total assets valued at $339,049 (IRS Form 1120 (1988))? A substantial increase in asset value was incurred during the year ($56,750)--was this one large asset or a number of smaller assets?

- Is a schedule available for total depreciation of $114,444 (IRS Form 1120 (1988))? Depreciation increased ($47,663) as assets increased--knowing the value of these assets would aid in the assessment of the firm's ability to pay.

- How are the assets valued? Market value could be significantly different than book value (purchase price - depreciation).

- Between the years of 1987 and 1988, Custom Blended Oils, Inc.'s commissions, insurance, waste disposal and gas and oil deductions decreased substantially ($73,127), while the telephone expense increased by $15,601. Was the firm attempting to change its business tactics knowing that it was not financially successful?

- Does Custom Blended Oils, Inc. operate underground storage tanks? If so, what are their plans for complying with EPA financial assurance requirements? These plans could possibly provide insight on specific financial resources.

As previously stated, further information on the owner's and officer's personal assets or other financial resources would be helpful for a more thorough financial assessment of ability of liable parties to pay the civil penalty the U.S. EPA is seeking. Because the owners and chief corporate officers (Ernest and Loraine Winkle) of the company may also be liable or a source of finances for Custom Blended Oils, Inc., we recommend that the EPA request copies of personal tax returns for Ernest and Loraine Winkle for consideration in assessing their ability to provide funds to the company in payment of the civil penalty.

All financial assessments made in this report are based on the information provided by the U.S. EPA. Lack of the previously mentioned information makes it impossible to perform a complete assessment of Ernest Winkle's (Custom Blended Oils, Inc.'s) ability to pay the civil penalty sought by the U.S. EPA.

The tax records reviewed were one year old and there was not a list of personal assets for owners and officers. More current tax records, a list of personal assets, a depreciation schedule, and personal net worth statements could result in a more thorough analysis supporting more definitive conclusions.

Given the findings of this Letter Report concerning Custom Blended Oils, Inc., we will await further guidance and comments from you. If you have any questions, please call.

Sincerely,

Shelly L. Wohler

Shelly L. Wohler
Analyst

kmh/3729.046

cc: Daniel Francke, DPRA Incorporated

Table 1. Custom Blended Oils, Inc.'s Financial Information and ABEL Ratios.

Tax Return Year	Sales 1/	Taxable Income 2/	Cash Flow 3/	Total Assets 4/	Mortgages and Notes 5/	ABEL Ratios DE 6/	CR 7/	BR 8/	TIE 9/
1988 (year ending Sept. 30, 1989)									
Custom Blended Oils, Inc.	1,560,357	(2,390)	45,273	297,202	312,234	(11.45)	4.77	0.14	0.89
1987 (year ending Sept. 30, 1988)									
Custom Blended Oils, Inc.	2,153,632	(3,924)	51,745	270,631	282,678	(11.39)	3.76	0.17	0.86
E & L Tank Cleaners, Inc.	630,310	40,034	84,460	232,683	107,221	1.32	0.57	0.64	4.14
Combined	2,783,942	36,110	136,205	503,314	389,899	5.79	1.39	0.32	1.86
1986 (year ending Sept. 30, 1987)									
Custom Blended Oils, Inc.	1,459,609	(32,127)	(21,015)	202,798	214,116	(10.17)	0.69	(0.09)	(10.32)
E & L Tank Cleaners, Inc.	828,573	33,708	84,670	205,842	122,042	2.42	0.81	0.58	2.80
Combined	2,288,182	1,581	63,655	408,640	336,158	9.75	0.72	0.17	1.35
1985 (year ending March 31, 1986)									
E & L Tank Cleaners, Inc.	1,261,031	(7,385)	42,375	187,563	136,040	8.85	0.34	0.25	1.64
1984 (year ending March 31, 1985)									
E & L Tank Cleaners, Inc.	1,990,907	(12,251)	37,006	177,924	133,915	23.25	0.36	0.22	0.28
Critical Values per ABEL Guidelines						1.50	2.00	0.20 0.10	2.00

1/ From IRS Form 1120, Line 1c.
2/ From IRS Form 1120, Line 30.
3/ From IRS Form 1120. Lines 30 and 20 (Taxable Income + Depreciation).
4/ From IRS Form 1120, Schedule L, Line 14.
5/ From IRS Form 1120, Schedule L, Lines 16 and 19.

An explanation of critical values per ABEL Guidelines is given below:

6/ Debt to Equity: A ratio of greater than 1.5 means the firm may have difficulty when borrowing; Less than 1.5 means possible additional debt capacity. A negative () indicates liabilities are greater than assets and continued operations are unlikely.
7/ Current Ratio: A ratio of greater than 2.0 is a healthy liquidity indicator; Less than 2.0 indicates the firm may suffer from liquidity problems.
8/ After-Tax Cash Flow (Beaver's Ratio): A ratio of greater than .20 is a healthy solvency indicator; Less than .10 or negative () is indicative of poor financial health.
9/ Times Interest Earned Ratio: A ratio greater than 2.0 is a healthy indication that firm is solvent; otherwise, possible solvency problems exist.

For calculation methods see U. S. EPA. 1987 (September 30). ABEL User's Manual (Appendix A).

Justification fo. ABEL Fiancial Ratios calculations

Debt to Equity Ratio: Total Liabilities/(Assets - Total Liabilities)

Total Liabilities = Accounts payable + Mortgages, notes, and bonds payable in less than 1 year + Other current liabilities + Loans from stockholders + Mortgages, notes, and bonds payable in greater than 1 year + Other liabilities

Assets = Liabilities + Shareholder's equity

or

(IRS Form 1120, Schedule L, Line 15 + Line 16 + Line 17 + Line 18 + Line [9 + Line 20)/[(IRS Form 1120, Schedule L, Line 26) -(IRS Form 1120, Schedule L, Line 15 + Line 16 + Line 17 + Line 18 + Line 19)]

or

	Custom Blended Oil	E & L Tank Cleaners	Combined
1988	-11.4494	-------	-------
1987	-11.3881	1.323113	5.791628
1986	-10.1652	2.423511	9.753967
1985	-------	8.854621	-------
1984	-------	23.25024	-------

Current Ratio: Current Assets/Current Liabilities

Current Assets = Cash + Accounts Receivable + Inventories + Federal and state obligations + Other current assets

Current Liabilities = Accounts Payable = Mortgages, notes, and bonds payable in less than 1 year + Other current liabilities

or

(IRS Form 1120, Schedule L, Line 1 + Line 2a + Line 3 + Line 4 + Line 5)/(IRS Form 1120, Schedule L, Line 15 + Line 16 + Line 17)

or

	Custom Blended Oil	E & L Tank Cleaners	Combined
1988	4.766592	-------	-------
1987	3.761514	0.571063	1.394896
1986	0.686962	0.805397	0.720226
1985	-------	0.340788	-------
1984	-------	0.359119	-------

Beaver's Ratio: Cash flow after taxes/Total Liabilities

Cash Flow After Taxes = Taxable income + Credits from regulated investment companies + Special fuel credits + Depreciation + Depletion + Book income not reported on the tax return - Income tax

or

(IRS Form 1120, Line 30 + Line 32e + Line 32f + Line 21b + Line 22 + IRS Form 1120, Schedule M-1, Line 7 - IRS Form 1120, Line 31)

or

	Custom Blended Oil	E & L Tank Cleaners	Combined
1988	0.139026	-------	-------
1987	0.174412	0.637323	0.317342
1986	-0.09343	0.581062	0.171743
1985	-------	0.251439	-------
1984	-------	0.216933	-------

Times Interest Earned Ratio: Earnings before interest and taxes/Interest expense

Earnings Before Interest and Taxes = Book net income + Interest expense

or

(IRS Form 1120, Schedule M-1, Line 1 + IRS Form 1120, Line 17)/(IRS Form 1120, Line 17)

or

	Custom Blended Oil	E & L Tank Cleaners	Combined
1988	0.894792	-------	-------
1987	0.864893	4.137707	1.863717
1986	-10.3243	2.79563	1.348573
1985	-------	1.636378	-------
1984	-------	0.281761	-------

Source: U. S. EPA. 1987 (September 30). ABEL User's Manual (Appendix A).

E & L Tank Clea	S32: (-1773+24735+4298)/(67406+8502)
	V32: '--------
	M34: 'Beaver's Ratio:
	O34: ' Cash flow after taxes/Total Liabilities
	O35: ' Cash Flow After Taxes = Taxable income + Credits from regulated investment companies + Special fuel credits + Depreciation
	R36: ' + Depletion + Book income not reported on the tax return - Income tax
	O37: ' or
	O38: ' (IRS Form 1120, Line 30 + Line 32e + Line 32f + Line 21b + Line 22 + IRS Form 1120, Schedule M-1, Line 7 - IRS Form 1120, Line 31)
	O39: ' or
	P40: 'Custom Blended Oil
Beaver's Ratio:	S40: 'E & L Tank Cleaners
	V40: 'Combined
1988	O41: ' 1988
Custom Blended Oils	P41: (-2390+47663)/(13410+312234)
	S41: '--------
	V41: '--------
1987	O42: ' 1987
Custom Blended Oils	P42: (-3924+55669)/(14005+282678)
E&L Tank Cleaners	S42: (40034+44426)/(32607+7625+17677+74614)
Combined	V42: (-3924+55669+40034+44426)/(14005+282678+32607+7625+17677+74614)
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1985	O44: ' 1985
	P44: '--------
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	V44: '--------
1984	O45: ' 1984
	P45: '--------
E&L Tank Cleaners	S45: (-12251+49257)/170587
	V45: '--------
	M47: 'Times Interest
	O47: '
	M48: ' Earned Ratio:
	O48: ' Earnings before interest and taxes/Interest expense
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Times Interest	O50: ' or
Earned Ratio:	O51: ' (IRS Form 1120, Schedule M-1, Line 1 + IRS Form 1120, Line 17)/(IRS Form 1120, Line 17)
	O52: ' or
	O53: '
	P53: 'Custom Blended Oil
	S53: 'E & L Tank Cleaners
	V53: 'Combined
1988	O54: ' 1988
Custom Blended Oils	P54: (-2390+22717)/22717
	S54: '--------
	V54: '--------
1987	O55: ' 1987
Custom Blended Oils	P55: (-3925+29051)/29051
E&L Tank Cleaners	S55: (40034+12759)/12759
Combined	V55: (-3925+29051+40037+12759)/(29051+12759)
1986	O56: ' 1986
Custom Blended Oils	P56: (-32127+2837)/2837
E& L Tank Cleaners	S56: (41093+22885)/22885
Combined	V56: (-32127+2837+41093+22885)/(2837+22885)
1985	O57: ' 1985
	P57: '--------
E& L Tank Cleaners	S57: (11696+18379)/18379

	M3: 'Justification for ABEL Fiancial Ratios calculations
	M5: 'Debt to Equity Ratio: Total Liabilities/(Assets - Total Liabilities)
	06: ' Total Liabilities = Accounts payable + Mortgages, notes, and bonds payable in less than 1 year + Other current liabilities
	07: ' + Loans from stockholders + Mortgages, notes, and bonds payable in greater than 1 year + Other liabilities
	08: ' Assets = Liabilities + Shareholder's equity
	09: ' or
	010: ' (IRS Form 1120, Schedule L, Line 15 + Line 16 + Line 17 + Line 18 + Line 19 + Line 20)/[(IRS Form 1120, Schedule L, Line 26)
	011: ' -(IRS Form 1120, Schedule L, Line 15 + Line 16 + Line 17 + Line 18 + Line 19)]
	012: ' or
Debt to Equity Ratio:	P14: 'Custom Blended Oil
	S14: 'E & L Tank Cleaners
	V14: 'Combined
1988	015: ' 1988
Custom Blended Oils	P15: (13410+312234)/(297202-(13410+312234))
	S15: '---------
	V15: '--------
1987	016: ' 1987
Custom Blended Oils	P16: (14005+282678)/((270631)-(14005+282678))
E&L Tank Cleaners	S16: (32607+7625+17677+74614)/(232683-(32607+7625+17677+74614))
Combined	V16: (14005+282678+32607+7625+17677+74614)/((270631+232683)-(14005+282678+32607+7625+17677+74614))
1986	017: ' 1986
Custom Blended Oils	P17: (121837+10709+92379)/(202798-(121837+10709+92379))
E&L Tank Cleaners	S17: (48770+2997+20677+73272)/(205842-(48770+2997+20677+73272))
Combined	V17: (121837+10709+92379+48770+2997+20677+73272)/((202798+205842)-(121837+10709+92379+48770+2997+20677+73272))
1985	018: ' 1985
	P18: '--------
E&L Tank Cleaners	S18: (68740+4320+28170+67300)/(187563-(68740+4320+28170+67300))
	V18: '--------
1984	019: ' 1984
	P19: '--------
E&L Tank Cleaners	S19: (67406+8502+28170+66509)/(177924-(67406+8502+28170+66509))
	V19: '--------
	M21: 'Current Ratio: Current Assets/Current Liabilities
	022: ' Current Assets = Cash + Accounts Receivable + Inventories + Federal and state obligations + Other current assets
	023: ' Current Liabilities = Accounts Payable = Mortgages, notes, and bonds payable in less than 1 year + Other current liabilities
	024: ' or
	025: ' (IRS Form 1120, Schedule L, Line 1 + Line 2a + Line 3 + Line 4 + Line 5)/(IRS Form 1120, Schedule L, Line 15 + Line 16 + Line 17)
	026: ' or
Current Ratio:	P27: 'Custom Blended Oil
	S27: 'E & L Tank Cleaners
	V27: 'Combined
1988	028: ' 1988
Custom Blended Oils	P28: (35655+28265)/13410
	S28: '--------
	V28: '--------
1987	029: ' 1987
Custom Blended Oils	P29: (13458+39222)/14005
E&L Tank Cleaners	S29: (4472+16517+1986)/(32607+7625)
Combined	V29: (13458+39222+4472+16517+1986)/(14005+32607+7625)
1986	030: ' 1986
Custom Blended Oils	P30: (59422+31632)/(121837+10709)
E&L Tank Cleaners	S30: (11264+25945+4484)/(48770+2997)
Combined	V30: (59422+31632+11264+25945+4484)/(121837+10709+48770+2997)
1985	031: ' 1985
	P31: '--------
E&L Tank Cleaners	S31: (7176+13288++4434)/(68740+4320)
	V31: '--------
1984	032: ' 1984
	P32: '--------

1984
E&L Tank Cleaners

```
V57: '--------
O58: '   1984
P58: '--------
S58: (-12251+17057)/17057
V58: '--------
M60: 'Source:  U. S. EPA.  1987 (September 30).  ABEL User's Manual (Appendix A).
```

M&E

Metcalf & Eddy

October 29, 1990

Mr. Fred Norling
United States Environmental Protection Agency
230 South Dearborn Street
Chicago, Illinois 60604

Re.: TES X R05046
Financial Assessment
Custom Blending Oil, Inc.

Dear Mr. Norling:

Enclosed for your review is Work Plan No. R05046. Personnel from DPRA, Inc. will be performing the Financial Assessment. This Work Plan is being submitted in accordance with the Scope of Work received with the Authorization Form.

The date by which work must stop if this Work Plan is not approved by the U.S. EPA is December 8, 1990.

Please feel free to call me if you have any questions.

Sincerely,

METCALF & EDDY, INC.

Thomas Lentzen

Thomas Lentzen
Regional Project Manager

Allan, Please review workplan and advise me if it is approvable as submitted by Thur. morning 11/8. Thanks Fred 6-4510

Approved by atw to Fred Norling 11/6/90

cc: S. Kovash
A. Wojtas ✓
CPM
PMO
RPMO

Enclosure

ENVIRONMENTAL PROTECTION AGENCY

TECHNICAL ENFORCEMENT SUPPORT
AT
HAZARDOUS WASTE SITES

TES X

CONTRACT NO. 68-W9-0007
WORK ASSIGNMENT NO. R05046

WORK PLAN
FOR
FINANCIAL ASSESSMENT OF
CUSTOM BLENDING OILS, INC.
(E & L TANK CLEANING, INC.)

U. S. EPA REGION V

METCALF & EDDY, INC.
PROJECT NO. 150046.0001.002

WORK PERFORMED BY:

DPRA INCORPORATED
200 RESEARCH DRIVE
P.O. BOX 727
MANHATTAN, KANSAS 66502

OCTOBER 29, 1990

TABLE OF CONTENTS

1.0 INTRODUCTION

The purpose of this work assignment is to assist the EPA in evaluating Custom Blended Oils, Incorporated's (E & L Tank Cleaners, Inc.), ability to pay a penalty of $85,750. Custom Blended Oils, Inc. is a treatment/storage/disposal facility that also markets used oil fuel and/or hazardous waste fuel. This facility is located at South Rathje Road, Peotone, Illinois.

Ernest Winkle, President of Custom Blended Oils, Inc. (E & L Tank Cleaners, Inc.) and owner/operator, was issued a Notice of Violation (NOV) by the U.S. Environmental Protection Agency (EPA) on August 30, 1988. This NOV cited violations to 40 CFR 266.43(b)3 and 40 CFR 266.43(b)4. On October 12, 1988, U.S. EPA issued a second NOV due to a deficient response to the initial NOV. A third NOV was issued by the U.S. EPA on January 12, 1989 indicating violations which were determined during a November 18, 1988 inspection of the facility. In response to an April 21, 1989 Information Request issued by the U.S. EPA, Custom Blended Oils, Inc. contended that they did not market off-specification used oil fuel, and thus, the regulations in 40 CFR 266.43(b)(1-5) and (6)(ii) do not apply to them.

U.S. EPA has, however, issued a Complaint and Compliance Order which specifies that, in general, Custom Blended Oils, Inc. failed to meet particular RCRA requirements relating to marketing of used oil and/or hazardous waste fuel for energy recovery. During negotiations with the facility, representatives have indicated that the facility is unable to pay the proposed civil penalty. The current penalty is based on six regulation violations and is assessed at $85,750. U.S. EPA, through this work assignment, has requested an expeditious analysis of the financial data to assess ability-to-pay which is essential to ongoing settlement negotiations.

This work will be coordinated with Allen Wojtas, the U.S. EPA primary contact, (312) 886-6194. A general discussion was held with him prior to preparing this work plan.

2.0 PROJECT APPROACH

This work assignment will be performed by the TES X contractor. The work will include a quantitative assessment of the facility's ability to pay. The TES X contractor will assess corporate financial data for Custom Blended Oils, Inc. and E & L Tank Cleaners Inc. to determine potential ability to pay.

The approach used to complete this study will involve the following tasks.

1. Obtain and review financial data collected by EPA regarding the potentially liable parties (PLPs). If it is determined that there is a need for additional data, a letter report on the results of this review on the adequacy of data will be prepared.

2. Complete a financial review if the data is sufficient to provide defendable analysis. Given the general nature of the available data and the required need to complete the analysis in two weeks, the analysis will include two levels of assessment. First the TES

Daniel W. Francke, Work Assignment Manager
DPRA Incorporated
200 Research Drive
P.O. Box 727
Manhattan, KS 66502
Telephone No.: (913) 539-3565

Shelly Wohler, Analyst
DPRA Incorporated
200 Research Drive
P.O. Box 727
Manhattan, KS 66502
Telephone No.: (913) 539-3565

6.0 INTERVIEWS/SUBCONTRACTOR/CONSULTANTS

No formal interviews are anticipated under the current scope of this Work Assignment.

7.0 EXCEPTIONS TO THE ASSIGNMENT, ANTICIPATED PROBLEMS, SPECIAL PROBLEMS

At the present time the TES X contractor has not identified any technical exceptions to the Work Assignment, but questions and issues may arise as the exact nature of the financial data and records becomes known. Also, results and findings will be presented as preliminary as additional detailed data on personal networth or the exact nature of corporate assets and liabilities would be required to establish more definitive conclusions. Exceptions or special requirements that arise during the project and impact the work plan will require a work assignment modification.

8.0 QUALITY ASSURANCE

M&E's Quality Assurance (QA) Program has been specifically incorporated by reference into the contract governing this Work Assignment. This Work Plan and all subsequent activities and outputs may correspondingly be the subject of a random audit pursuant to the QA program plan, and carried out by the Contract QA Officer. The audit results and any corrective action will be included in the Monthly Progress Report and Annual Report submitted under the overall contract. Due to the expedited nature of this work assignment, concurrent reviews by EPA and M&E may be performed.

9.0 CONFLICT OF INTEREST

To the best of our knowledge, no personal or corporate conflict of interest exists for the performance of work under this Work Assignment.

10.0 COST ESTIMATE

Table 1 lists the tasks to be completed for this work assignment and the estimated level of Effort(LOE) for each task.

Table 2 shows the anticipated cash flow and projected LOE for each month the work assignment will be active. Unforeseen circumstances may necessitate adjustments to the schedule which will impact

TABLE 1
FINANCIAL ASSESSMENT, R05046
LOE BY TASK

Tasks	No. Hours
Subcontractor	
Work Plan Development	6
Review EPA Files and Other Agency Files	60
Prepare a Draft Report	16
Prepare a Final Report	8
SUBTOTAL	90
M&E Work Assignment Management, Administration, Reporting and Quality Assurance	10
TOTAL	100

ATTACHMENT A

Qualifications of Technical Staff

Dan Francke, P-4

- o DPRA Vice President
- o M.S., Economics
- o 16 years economic/financial assessment experience.

Shelly Wohler, P-2

- o DPRA Analyst
- o B.S., Business Administration
- o 3 years document review/analysis experience for PRP analysis, cost recovery and enforcement actions under CERCLA and RCRA.

Exhibit 1
Summary Cost Estimate
Work Assignment No. R05046
Custom blended Oils
Metcalf & Eddy

Estimate prepared
10/29/90

Name	Classification	Hours	Estimated Cost
T. Lentzen	Professional 3	3	
S. Lorenz	Professional 2	4	
D. Riggly	Professional 1	3	
TOTAL METCALF & EDDY LOE		10	$173
SUBCONTRACTOR LOE		90	
M&E HOME OFFICE SUPPORT		1	$10
TOTAL L.O.E. & M&E COSTS		100	$183
OVERHEAD AND G&A			
FIELD RATE			$201
OFFICE RATE			$0
SUBTOTAL			$384
M&E TRAVEL (See Exhibit 2)			$0
M&E OTHER DIRECT COSTS (See Exhibit 3)			$137
SUBCONTRACTOR COSTS			$3,362
SUBTOTAL			$3,883
Fee (Base only)			$117
TOTAL METCALF & EDDY ESTIMATED COST			$4,000

WORK PLAN STATUS

	LOE	COSTS
PREVIOUS APRVL	100	$4,000
$'s THIS ACTION	0	$0
TOTAL	100	$4,000

Exhibit 2

Travel Costs
Work Assignment No. R05046
Custom blended Oils

Estimate prepared
10/29/90

Travel for M&E is not required under this work assignment.

Exhibit 3

Other Direct Costs
Work Assignment No. R05046
Custom blended Oils

Estimate prepared
10/29/90

WORD PROCESSING/COMPUTER	7 hours @ $8.00 /hour		$56
REPRODUCTION COSTS			
Incidental Copying:			
200 pages X	1 copies X 0.06 /copy	$12	
	Subtotal		$12
POSTAGE			
Short Notice Mailing of Project Materials:			
(Federal Express)	1 pkgs. @ $15 each	$15	
U.S. Mail		$30	
	Subtotal		$45
TELEPHONE			$24
	TOTAL OTHER DIRECT COSTS		$137

Exhibit 4

Summary Cost Estimate
Work Assignment No. R05046
Custom Blended Oil Fin. Analysis
DPRA Incorporated

Estimate Prepared 10/24/90

Name	Classification		Hours	Estimated Cost
FRANCKE, DAN	Prof'l	4	16	
WOHLER, SHELLY	Prof'l	2	70	
WEISBENDER, CHRISTINE	Prof'l	1	4	
-				
TOTAL SUBCONTRACTOR LOE			90	$1,171
HOME OFFICE SUPPORT/CLERICAL			10	$80
TOTAL LABOR			100	$1,251
FRINGE BENEFITS		40.97%		$513
LABOR OVERHEAD		50.10%		$884
SUBTOTAL				$2,648
TRAVEL (See Exhibit 5)				$0
OTHER DIRECT COSTS (See Exhibit 6)				$210
GENERAL & ADMINISTRATIVE EXPENSE		12.04%		$344
SUBTOTAL				$3,202
FEE		5.00%		$160
TOTAL SUBCONTRACTOR ESTIMATED COST				$3,362

DPRA Project No. 3729.046 APPROVED Don Francke for
Richard E. Seltzer, President

Exhibit 5

Travel Costs
Work Assignment No. R05046
Custom blended Oils

Travel for DPRA is not required under this work assignment.

Exhibit 6

Other Direct Costs
Work Assignment No. R05046
Custom Blended Oil Fin. Analysis
DPRA Incorporated

Estimate Prepared 10/24/90 DPRA Project No. 3729.046

WORD PROCESSING FACTOR		10 hours at	$3.00 /hour			$30
MICROCOMPUTER FACTOR		16 hours at	$3.00 /hour			$48
REPRODUCTION COSTS						
Field Monitoring Reports:						
0 reports X	0 pages X	0 copies X	$0.10 /copy		$0	
Draft Reports:						
1 reports X	20 pages X	5 copies X	$0.10 /copy		$10	
Final Reports:						
1 reports X	20 pages X	10 copies X	$0.10 /copy		$20	
Miscellaneous Reports - Work Plans						
1 reports X	10 pages X	2 copies X	$0.10 /copy		$2	
Miscellaneous Reports - Other						
0 reports X	0 pages X	0 copies X	$0.10 /copy		$0	
Records Copying						
	0 pages X	1 copies X	$0.10 /copy		$0	
Incidental Copying						
	300 pages X	1 copies X	$0.10 /copy		$30	
Report Binding						
		17 copies X	$2.00 each		$34	
Miscellaneous Drafting and Photo Services					$0	
				Subtotal		$96
POSTAGE/EXPRESS SHIPMENTS						
Short Notice Mailing of Project Materials:		0 pkgs. at	$15 each		$0	
Shipment of Coolers to Laboratories		0 pkgs. at	$120 each		$0	
Submittal of Report Materials		0 pkgs. at	$25 each		$0	
Miscellaneous Postage					$11	
				Subtotal		$11
COMMUNICATIONS		0.5 months at	$50 each			$25
TITLE SEARCHES (Estimated)						$0
FOLDERS, FILES, ETC (Estimated)						$0
SAFETY EQUIPMENT		0 days at	$25 each			$0
MISCELLANEOUS - Specify						
1. xxx						$0
2. xxx						$0
3. xxx						$0
			TOTAL OTHER DIRECT COSTS			$210

CUSTOM BLENDED OILS, INC.
PEOTONE, ILLINOIS 60468
FINANCIAL STATEMENTS
MAY 31, 1991

R. Ray Simpson, CPA

107 N. DIXIE HIGHWAY
P.O. BOX 705
MOMENCE, IL 60954
(815) 472-2614

R. RAY SIMPSON

CERTIFIED PUBLIC ACCOUNTANT

To the Shareholders of
Custom Blended Oils, Inc.

I have reviewed the accompanying balance sheet of Custom Blended Oils, Inc. at May 31, 1991 and the related statements of income, retained earnings, and changes in financial position for the eight months then ended, in accordance with standards established by the American Institute of Certified Public Accountants. All information included in these financial statements was provided by the management of the Company.

Unlike an audit, which is an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole, a review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. Accordingly, I do not express an audit opinion.

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principals.

R. Ray Simpson

June 8, 1991

CUSTOM BLENDED OILS, INC
PEOTONE, IL 60468
BALANCE SHEET
MAY 31, 1991

ASSETS:

CURRENT ASSETS:		
CASH ON HAND & IN BANKS	$ 17,256	
ACCOUNTS RECEIVABLE	34,549	
INVENTORY	19,440	
PREPAID INTEREST	19,270	
EMPLOYEE ADVANCES	95	
TOTAL CURRENT ASSETS		$ 90,610
FIXED ASSETS:		
EQUIPMENT	$ 355,276	
ACCM DEPR-EQUIP	(211,682)	
TOTAL FIXED ASSETS		143,594
OTHER ASSETS:		
INVESTMENT IN RELATED CO.	$ 16,002	
TOTAL OTHER ASSETS		16,002
TOTAL ASSETS		$ 250,206

The accompanying Accountant's Review Report and the Notes to the Financial Statements should be read in conjunction with these Financial Statements

CUSTOM BLENDED OILS, INC
PEOTONE, IL 60468
BALANCE SHEET
MAY 31, 1991

LIABILITIES & STOCKHOLDERS' EQUITY:

CURRENT LIABILITIES:		
ACCOUNTS PAYABLE	$ 155,126	
PAYROLL TAXES PAYABLE	6,407	
SALES TAX PAYABLE	(595)	
GARNISHMENT PAYABLE	94	
CURRENT PORTION-L.T. DEBT	81,053	
TOTAL CURRENT LIABILITIES		$ 242,085
LONG-TERM LIABILITIES:		
INSTALLMENT LOANS PAYABLE	$ 123,436	
LOANS FROM STOCKHOLDERS	27,000	
LESS:CURRENT PORTION ABOVE	81,053	
TOTAL L.T. LIABILITIES		69,383
STOCKHOLDERS' EQUITY:		
CAPITAL STOCK	$ 10,000	
RETAINED EARNINGS	(71,262)	
TOTAL STOCKHOLDERS' EQUITY		(61,262)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		$ 250,206

CUSTOM BLENDED OILS, INC.
PEOTONE, IL 60468
INCOME STATEMENT
MAY 31, 1991

INCOME:		
OIL SALES	$ 630,684	
OTHER INCOME	54,436	
TOTAL INCOME		$ 685,120
COST OF SALES		232,305
GROSS PROFIT		$ 452,815
EXPENSES:		
SALARIES & WAGES	$ 201,033	
COMMISSIONS	1,790	
REPAIRS & MAINTENANCE	7,015	
POSTAGE & OFFICE SUPPLIES	3,946	
ADV. & DONATIONS	1,626	
RENTAL EXPENSE & LEASES	22,899	
PHONE	11,807	
UTILITIES	4,839	
INSURANCE	116,062	
INTEREST EXPENSE	10,245	
PROFESSIONAL FEES	50,515	
PAYROLL TAXES	23,162	
MOTOR FUEL TAX	2,765	
PROPERTY TAX	516	
UNIFORMS	4,664	
WASTE DISPOSAL	10,798	
TRAVEL EXPENSES	2,002	
MISCELLANEOUS	5,475	
TRK-LICENSE & TAX	8,996	
GAS & OIL	18,638	
TRUCK REPAIRS	16,146	
TOLLS	1,880	
TOTAL EXPENSES		526,819
NET INCOME (LOSS) BEFORE DEPRECIATION		$ (74,004)
DEPRECIATION		29,317
NET INCOME (LOSS)		$ (103,321)

The accompanying Accountant's Review Report and the Notes to the Financial Statements should be read in conjunction with these Financial Statements

CUSTOM BLENDED OILS, INC.
PEOTONE, IL 60468
STATEMENT OF CHANGES IN RETAINED EARNINGS
FOR THE EIGHT MONTHS ENDED MAY 31, 1991

RETAINED EARNINGS BALANCE OCTOBER 1, 1990	$ 32,059
ADD: NET INCOME (LOSS) FOR THE EIGHT MONTHS ENDED MAY 31, 1991	(103,321)
RETAINED EARNINGS BALANCE MAY 31, 1991	$ (71,262)

The accompanying Accountant's Review Report and the Notes to the Financial Statements should be read in conjunction with these Financial Statements

CUSTOM BLENDED OILS, INC.
PEOTONE, ILLINOIS 60468
STATEMENT OF CHANGES IN FINANCIAL POSITION
MAY 31, 1991

WORKING CAPITAL WAS OBTAINED FROM:		
Operations-		
Net Income (Loss)	$ (103,321)	
Add: Items not requiring working capital in the current period-depreciation	29,317	
Total From Operations	$ (74,004)	
Loans from Stockholder's	27,000	
TOTAL WORKING CAPITAL OBTAINED		$ (47,004)
WORKING CAPITAL WAS USED FOR:		
Additions to Property and Equipment	$ 1,230	
Payment and Maturity of Long-Term Liabilities	44,072	
Investment in Related Company	1,858	
TOTAL WORKING CAPITAL USED		47,160
INCREASE (DECREASE) IN WORKING CAPITAL		$(94,164)

CHANGES IN WORKING CAPITAL ACCOUNTS:

	05-31-91	10-01-90	INCREASE (DECREASE) WORKING CAPITAL
CURRENT ASSETS	$ 90,610	$ 140,409	$(49,799)
CURRENT LIABILITIES	242,085	197,720	(44,365)
WORKING CAPITAL	$(151,475)	$(57,311)	$(94,164)

The accompanying Accountant's Review Report and the Notes to the Financial Statements should be read in conjunction with these Financial Statements

CUSTOM BLENDED OILS, INC.
PEOTONE, ILLINOIS 60468
NOTES TO FINANCIAL STATEMENTS
MAY 31, 1991

NOTE 1-INVENTORY:

Inventory is valued at the average cost method, calculated on a rolling average basis.

NOTE 2-DEPRECIATION:

The Company uses the same depreciation method for tax and book, which is the IRS prescibed ACRS or MACRS method. These methods use the double declining balance method of depreciation over estimated useful lives of three to seven years.

NOTE 3-LEASE OBLIGATIONS:

The Company operates in facilities leased from the majority stockholder at an annual rate of $24,000.00. The Company also leases a computer system at an annual rate of $4064.76, for a term of 3 years which ends March, 1993.

NOTE 4-INSTALLMENT LOANS:

The Company has installment loan obligations as follows:

Creditor	Security	Monthly Payment	Maturity	9/30/90 Balance
Municipal Bank & Trust	1986 Mack Truck	$1063.33	Oct., 1991	$ 6379.98
Municipal Bank & Trust	1988 Mack Truck	893.11	April,1992	10717.32
Municipal Bank & Trust	Land-Greenfield, Indiana Terminal	864.50	May, 1992	12103.00
Lasalle National Bank	1990 Ford Tempo	273.69	Oct., 1994	11494.98
CIT Corporation	2-Fruehauf Trailers	1198.00	June, 1992	16772.00
CIT Corporation	1988 Entyre Trailer	618.47	Mar., 1993	14224.81
CIT Corporation	Mack Superliner	1498.00	May, 1993	37450.00
CIT Corporation	1988 Mack Truck	754.00	Oct., 1992	12818.00
Ford Motor Credit Corp.	1988 Escort	210.85	Nov., 1991	1475.95

TOTAL INSTALLMENT LOAN OBLIGATIONS $123436.04

CUSTOM BLENDED OILS, INC.
PEOTONE, ILLINOIS 60468
FINANCIAL STATEMENTS
SEPTEMBER 30, 1990

R. Ray Simpson, CPA

107 N. DIXIE HIGHWAY
P.O. BOX 705
MOMENCE, IL 60954
(815) 472-2614

R. RAY SIMPSON

CERTIFIED PUBLIC ACCOUNTANT

To the Shareholders of
Custom Blended Oils, Inc.

I have reviewed the accompanying balance sheet of Custom Blended Oils, Inc. at September 30, 1990 and the related statements of income, retained earnings, and changes in financial position for the year then ended, in accordance with standards established by the American Institute of Certified Public Accountants. All information included in these financial statements was provided by the management of the Company.

Unlike an audit, which is an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole, a review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. Accordingly, I do not express an audit opinion.

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principals.

R. Ray Simpson

May 31, 1991

CUSTOM BLENDED OILS, INC
PEOTONE, IL 60468
BALANCE SHEET
SEPTEMBER 30, 1990

ASSETS:

CURRENT ASSETS:		
CASH ON HAND & IN BANKS	$ 4,594	
ACCOUNTS RECEIVABLE	53,110	
INVENTORY	53,241	
PREPAID INTEREST	29,464	
TOTAL CURRENT ASSETS		$ 140,409
FIXED ASSETS:		
EQUIPMENT	$ 354,046	
ACCM DEPR-EQUIP	(182,365)	
TOTAL FIXED ASSETS		171,681
OTHER ASSETS:		
INVESTMENT IN RELATED CO.	$ 14,144	
TOTAL OTHER ASSETS		14,144
TOTAL ASSETS		$ 326,234

The accompanying Accountant's Review Report
ant the Notes to the Financial Statements
should be read in conjunction with these Financial Statements

CUSTOM BLENDED OILS, INC
PEOTONE, IL 60468
BALANCE SHEET
SEPTEMBER 30, 1990

LIABILITIES & STOCKHOLDERS' EQUITY:

CURRENT LIABILITIES:		
ACCOUNTS PAYABLE	$ 85,839	
PAYROLL TAXES PAYABLE	6,766	
SALES TAX PAYABLE	6,724	
CURRENT PORTION-L.T. DEBT	98,391	
TOTAL CURRENT LIABILITIES		$ 197,720
LONG-TERM LIABILITIES:		
INSTALLMENT LOANS PAYABLE	$ 184,846	
LESS:CURRENT PORTION ABOVE	98,391	
TOTAL L.T. LIABILITIES		86,455
STOCKHOLDERS' EQUITY:		
CAPITAL STOCK	$ 10,000	
RETAINED EARNINGS	32,059	
TOTAL STOCKHOLDERS' EQUITY		42,059
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		$ 326,234

The accompanying Accountant's Review Report ant the Notes to the Financial Statements should be read in conjunction with these Financial Statements

CUSTOM BLENDED OILS, INC.
PEOTONE, IL 60468
INCOME STATEMENT
SEPTEMBER 30, 1990

INCOME:		
OIL SALES	$ 1,485,320	
OTHER INCOME	177,296	
TOTAL INCOME		$ 1,662,616
COST OF SALES		828,435
GROSS PROFIT		$ 834,181
EXPENSES:		
SALARIES & WAGES	$ 377,732	
COMMISSIONS	12,143	
REPAIRS & MAINTENANCE	18,585	
POSTAGE & OFFICE SUPPLIES	3,513	
ADV. & DONATIONS	1,986	
RENTAL EXPENSE & LEASES	36,476	
PHONE	18,579	
UTILITIES	12,884	
INSURANCE	140,456	
INTEREST EXPENSE	20,633	
PROFESSIONAL FEES	48,458	
PAYROLL TAXES	41,949	
MOTOR FUEL TAX	18,373	
PROPERTY TAX	3,135	
UNIFORMS	7,262	
WASTE DISPOSAL	2,522	
TRAVEL EXPENSES	6,814	
MISCELLANEOUS	8,035	
PENALTIES	6,438	
TRK-LICENSE & TAX	14,015	
GAS & OIL	57,832	
TRUCK REPAIRS	36,286	
TOLLS	5,845	
TOTAL EXPENSES		899,951
NET INCOME (LOSS) BEFORE DEPRECIATION		$ (65,770)
DEPRECIATION		67,921
NET INCOME (LOSS)		$ (133,691)

The accomp[anying Accountant's Review Report and the Notes to the Financial Statements should be read in conjunction with these Financial Statements

CUSTOM BLENDED OILS, INC.
PEOTONE, IL 60468
STATEMENT OF CHANGES IN RETAINED EARNINGS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 1990

RETAINED EARNINGS BALANCE OCTOBER 1, 1989	$ 165,750
ADD: NET INCOME (LOSS) FOR THE YEAR ENDED SEPTEMBER 30, 1990	(133,691)
RETAINED EARNINGS BALANCE SEPTEMBER 30, 1990	$ 32,059

The accompanying Accountant's Review Report anf the Notes to the Financial Statements should be read in conjunction with these Financial Statements

CUSTOM BLENDED OILS, INC.
PEOTONE, ILLINOIS 60468
STATEMENT OF CHANGES IN FINANCIAL POSITION
SEPTEMBER 30, 1990

WORKING CAPITAL WAS OBTAINED FROM:		
Operations-		
Net Income (Loss)	$ (133,691)	
Add: Items not requiring working capital in the current period-depreciation	67,921	
Total From Operations	$ (65,770)	
TOTAL WORKING CAPITAL OBTAINED		$ (65,770)
WORKING CAPITAL WAS USED FOR:		
Additions to Property and Equipment	$ 15,000	
Payment and Maturity of Long-Term Liabilities	82,771	
Investment in Related Company	9,134	
TOTAL WORKING CAPITAL USED		106,905
INCREASE (DECREASE) IN WORKING CAPITAL		$(172,675)

CHANGES IN WORKING CAPITAL ACCOUNTS:

	09-30-90	10-01-89	INCREASE (DECREASE) WORKING CAPITAL
CURRENT ASSETS	$ 140,409	$ 274,922	$(134,513)
CURRENT LIABILITIES	197,720	159,558	(38,162)
WORKING CAPITAL	$(57,311)	$ 115,364	$(172,675)

The accompanying Accountant's Review Report and the Notes to the Financial Statements should be read in conjunction with these Financial Statements

CUSTOM BLENDED OILS, INC.
PEOTONE, ILLINOIS 60468
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1990

NOTE 1-INVENTORY:

Inventory is valued at the average cost method, calculated on a rolling average basis.

NOTE 2-DEPRECIATION:

The Company uses the same depreciation method for tax and book, which is the IRS prescibed ACRS or MACRS method. These methods use the double declining balance method of depreciation over estimated useful lives of three to seven years.

NOTE 3-LEASE OBLIGATIONS:

The Company operates in facilities leased from the majority stockholder at an annual rate of $24,000.00. The Company also leases a computer system at an annual rate of $4064.76, for a term of 3 years which ends March, 1993.

NOTE 4-INSTALLMENT LOANS:

The Company has installment loan obligations as follows:

Creditor	Security	Monthly Payment	Maturity	9/30/90 Balance
Municipal Bank & Trust	1986 Mack Truck	$1063.33	Oct., 1991	$13823.29
Municipal Bank & Trust	Centrifuge	1223.34	Jan., 1991	4893.36
Municipal Bank & Trust	1988 Mack Truck	893.11	April, 1992	16969.09
Municipal Bank & Trust	Land-Greenfield, Indiana Terminal	864.50	May, 1992	17290.00
Lasalle National Bank	1990 Ford Tempo	273.69	Oct., 1994	13410.81
CIT Corporation	2-Fruehauf Trailers	1198.00	June, 1992	25158.00
CIT Corporation	1988 Entyre Trailer	618.47	Mar., 1993	18554.10
CIT Corporation	1986 Mack Truck	835.00	Mar., 1991	5010.00
CIT Corporation	Mack Superliner	1498.00	May, 1993	47936.00
CIT Corporation	1988 Mack Truck	754.00	Oct., 1992	18850.00
Ford Motor Credit Corp.	1988 Escort	210.85	Nov., 1991	2951.90
TOTAL INSTALLMENT LOAN OBLIGATIONS				$184846.55

Allen
A/I
[illegible]

...ECHNICAL ENFORCEMENT SUPPORT AT HAZARDOUS WASTE SITES

1. Funding: RCRA
Buy-in: No
6. Account #:
2. TES Number: 10
3. Contract No.: 68-W9-0007
7. Prime Contractor: METCALF & EDDY
4. Work Assignment #: R05046
5. Amendment Number: 00004
8. Priority: Expedite
9. Site/Facility Name: CUSTOM BLENDED OILS
10. Location: PEOTONE
11. State: IL
12. Region/HQ: 05
13. EPA Site/Facility ID #: ILD069503944
14. NPL Site: No
15. RCRA Facility: Yes
16. CERCLA ONLY:FMS Site/Spill ID:
17. CERCLIS OP Unit #:
18. CERCLIS/Event/Activity/NSS: 2101- 1701- NNS-
19. Purpose: Work Assignment Amendment (SOW)
21. Task Type: Financial Assessment
22. Task Number: 10

23. Comment: ADDITIONAL LOE AND COST REQUIRED TO ALLOW CONTRACTOR TO ATTEND U.S. EPA MEETING WITH FACILITY (TO EVALUATE FACILITY'S FINANCIAL DATA BEING PREPARED BY THEIR OWN CPA).
CONTRACTOR WOULD PROVIDE A SUMMARY OF FINDINGS TO AGENCY.
FRN

24. Base Period	LOE	Cost/Fee	25. Option Period	LOE	Cost/Fee
Previously Approved:	0	0	1	100	4,000
This Action:	0	0		80	3,600
Total:	0	0		180	7,600

26. Period Of Performance
From: (See Box 41) To: / /
From: (See Box 41) To: 09/30/91

27. Number of Pages to Follow: 0
28. Reference Information: _ Attached _ Transmitted Seperately _ Pick Up From
29. Reporting Requirements: X Briefing X Draft Report X Letter Report X Final Report _ Other

30. Initiator: Work Assignment Manager (WAM)
(SIGN) ____________________
Name: ALLEN WOJTAS
31. Address:
32. Date: / /
33. FTS #: 8-886-4592 34. Off-Net #: 312-886-4592

35. Approval: Regional Project Officer OR HQ Project Officer (RPO/PO)
(SIGN) Fred Norling
Name: Fred Norling
36. Address: 230 S. Dearborn St. Chicago, IL.
37. Date: 06/06/91
38. FTS #: 8-886-4510 39. Off-Net #: 312-886-4510

40. Contracting Officer (CO)
(SIGN) ____________________
Name: THERESA RUPPE
41. Date: / /
(Effective Date)

42. Contractor Acknowledgement Of Receipt (Signature and Title)
(TITLE) ____________________
43. Date: / /
(SIGN) ____________________

allen FYI

TECHNICAL ENFORCEMENT SUPPORT AT HAZARDOUS WASTE SITES

1. Funding: RCRA
   Buy-In: No
2. TES Number: 10
3. Contract No.: 68-W9-0007
4. Work Assignment #: R05046
5. Amendment Number: 00002
6. Account #:
7. Prime Contractor: METCALF & EDDY
8. Priority: Normal
9. Site/Facility Name: CUSTOM BLENDED OILS
10. Location: PEOTONE
11. State: IL
12. Region/HQ: 05
13. EPA Site/Facility ID #: ILD069503944
14. NPL Site: No
15. RCRA Facility: Yes
16. CERCLA ONLY:FMS Site/Spill ID:
17. CERCLIS OP Unit #:
18. CERCLIS/Event/Activity/NSS: 2101- 1701- NNS-
19. Purpose: Work Assignment Amendment (SOW)
21. Task Type: Financial Assessment
22. Task Number: 10

23. Comment: ADDITIONAL 20 LOE AND $800 NEEDED TO COMPLETE FINANCIAL ASSESSMENT BASED ON ADDITIONAL INFORMATION PROVIDED BY FACILITY.

24. Base Period	LOE	Cost/Fee	25. Option Period LOE	Cost/Fee
Previously Approved:	0	0	100	4,000
This Action:	0	0	20	800
Total:	0	0	120	4,800
26. Period Of Performance	From: (See Box 41) To: / /		From: (See Box 41) To: 09/30/91	

27. Number of Pages to Follow: 0
28. Reference Information: _ Attached _ Transmitted Seperately _ Pick Up From
29. Reporting Requirements: X Briefing X Draft Report X Letter Report X Final Report _ Other

30. Initiator: Work Assignment Manager (WAM)
(SIGN) Allen T. Wojtas
Name: ALLEN WOJTAS
31. Address:
32. Date: / /
33. FTS #: 8-886-6194 34. Off-Net #: 312-886-6194

35. Approval: Regional Project Officer OR HQ Project Officer (RPO/PO)
(SIGN) Fred Norling
Name: Fred Norling
36. Address: 230 S. Dearborn St. Chicago, IL.
37. Date: 03/12/91
38. FTS #: 8-886-4510 39. Off-Net #: 312-886-4510

40. Contracting Officer (CO)
(SIGN)
Name: Stephen Kovash
41. Date: / /
(Effective Date)

42. Contractor Acknowledgement Of Receipt (Signature and Title)
(TITLE)
43. Date: / /
(SIGN)

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TECHNICAL ENFORCEMENT SUPPORT AT HAZARDOUS WASTE SITES

DING: RCRA TES NUMBER: 10 WORK ASSIGNMENT NUMBER: R05046
NDEX:10R05R05046 CONTRACT #:68-W9-0007 AMENDMENT NUMBER: 00000
ACCT #: CONTRACTOR:METCALF & EDD PRIORITY: Expedite
SITE/FACILITY NAME:
LOCATION:________________ ST:_____ REGION/HQ: 05
EPA SITE/FACILITY ID #: NPL SITE: N RCRA FACILITY: Y
CERCLA ONLY:FMS SITE/SPILL ID #: CERCLIS OP UNIT #:
CERCLIS/EVENT/ENFORCEMENT ACTIVITY/NSS: 2101- : 1701- : NNS-
PURPOSE: Initiate New Work Assignment
TASK TYPE: TASK NUMBER: 10

to DPRA

COMMENT: CUSTOM BLENDED OILS (E&L TANK CLEANERS, INC.)
PEOTONE, ILLINOIS

	BASE PERIOD		OPTION PERIOD	
	LOE	COST/FEE	LOE	COST/FEE
PREVIOUSLY APPROVED:	0	0	0	0
T S ACTION:	0	0	100	4,000
TOTAL:	0	0	100	4,000

PERIOD OF PERFORMANCE PERIOD OF PERFORMANCE
FRM: / / FRM: 10/01/90
TO: / / TO: 12/31/90

NUMBER OF PAGES TO FOLLOW: 1
REFERENCE INFORMATION:X ATTACHED _ TRANSMITTED SEPARATELY _ PICK UP FROM
REPORTING REQUIREMENTS:_ BRIEFING _ LETTER REPORT _ FINAL REPORT _ OTHER

INITIATOR: WORK ASSIGNMENT MANAGER
ADDRESS:
(SIGN)________________ DATE: / /
NAME: ALLEN WOJTAS FTS #:8-886-6194 OFF-NET #:312-886-6194

APPROVAL:RGNL PROJ OFFICER OR HQPO
ADDRESS:230 S. Dearborn St. Chicago, IL. 60604
(SIGN) Fred Norling DATE:10/04/90
NAME: Fred Norling FTS #:8-886-4510 OFF-NET #:312-886-4510

CONTRACTING OFFICER
(SIGN) SK DATE: 10/9/90
NAME: Stephen Kovash (Effective Date)

CONTRACTOR ACKNOWLEDGEMENT OF RECEIPT
(SIGNATURE AND TITLE)
G. Chris Stotler
(TITLE) Tes X Program Manager DATE: 10/19/90
(SIGN) Chris Stotler

Allen FYI Fred

TECHNICAL ENFORCEMENT SUPPORT AT HAZARDOUS WASTE SITES

F IDING: RCRA TES NUMBER: 10 WORK ASSIGNMENT NUMBER: R05046
I DEX:10R05R05046 CONTRACT #:68-W9-0007 AMENDMENT NUMBER: 00001
ACCT #: CONTRACTOR:METCALF & EDD PRIORITY: Normal
SITE/FACILITY NAME:
LOCATION:_______________ ST:____ REGION/HQ: 05
EPA SITE/FACILITY ID #: NPL SITE: N RCRA FACILITY: Y
CERCLA ONLY:FMS SITE/SPILL ID #: CERCLIS OP UNIT #:
CERCLIS/EVENT/ENFORCEMENT ACTIVITY/NSS: 2101- ¦ 1701- ¦ NNS-
PURPOSE: Work Plan Approval
TASK TYPE: Financial Assessment TASK NUMBER: 10

COMMENT: CUSTOM BLENDED OILS (E&L TANK CLEANERS, INC.)
PEOTONE, ILLINOIS

	BASE PERIOD		OPTION PERIOD	
	LOE	COST/FEE	LOE	COST/FEE
PREVIOUSLY APPROVED:	0	0	0	0
THIS ACTION:	0	0	0	0
T AL:	0	0	0	0

PERIOD OF PERFORMANCE	PERIOD OF PERFORMANCE
FRM: / /	FRM: 11/08/90
TO: / /	TO: 12/31/90

NUMBER OF PAGES TO FOLLOW: 0
REFERENCE INFORMATION: X ATTACHED _ TRANSMITTED SEPARATELY _ PICK UP FROM
REPORTING REQUIREMENTS: _ BRIEFING _ LETTER REPORT _ FINAL REPORT _ OTHER

INITIATOR: WORK ASSIGNMENT MANAGER
ADDRESS:
(SIGN)__________________________ DATE: / /
NAME: ALLEN WOJTAS FTS #:8-886-6194 OFF-NET #:312-886-6194

APPROVAL:RGNL PROJ OFFICER OR HQPO
ADDRESS:230 S. Dearborn St. Chicago, IL. 60604
(SIGN) Fred Norling DATE:11/08/90
NAME: Fred Norling FTS #:8-886-4510 OFF-NET #:312-886-4510

CONTRACTING OFFICER

(SIGN)__________________________ DATE: / /
NAME: Stephen Kovash (Effective Date)

C TRACTOR ACKNOWLEDGEMENT OF RECEIPT
(SIGNATURE AND TITLE)

(TITLE)__________________________ DATE: / /

(SIGN)__________________________

Allen F/I

TECHNICAL ENFORCEMENT SUPPORT AT HAZARDOUS WASTE SITES

NDING: RCRA TES NUMBER: 10 WORK ASSIGNMENT NUMBER: R05046
.NDEX:10R05R05046 CONTRACT #:68-W9-0007 AMENDMENT NUMBER: 00000
ACCT #: CONTRACTOR:METCALF & EDD PRIORITY: Expedite
SITE/FACILITY NAME:
LOCATION:______________ ST:____ REGION/HQ: 05
EPA SITE/FACILITY ID #: NPL SITE: N RCRA FACILITY: Y
CERCLA ONLY:FMS SITE/SPILL ID #: CERCLIS OP UNIT #:
CERCLIS/EVENT/ENFORCEMENT ACTIVITY/NSS: 2101- : 1701- : NNS-
PURPOSE: Initiate New Work Assignment
TASK TYPE: TASK NUMBER: 10

COMMENT: CUSTOM BLENDED OILS (B&L TANK CLEANERS, INC.)
PEOTONE, ILLINOIS

	BASE PERIOD		OPTION PERIOD	
	LOE	COST/FEE	LOE	COST/FEE
PREVIOUSLY APPROVED:	0	0	0	0
THIS ACTION:	0	0	100	4,000
.TAL:	0	0	100	4,000

PERIOD OF PERFORMANCE	PERIOD OF PERFORMANCE
FRM: / /	FRM: 10/01/90
TO: / /	TO: 12/31/90

NUMBER OF PAGES TO FOLLOW: 1
REFERENCE INFORMATION:X ATTACHED _ TRANSMITTED SEPARATELY _ PICK UP FROM
REPORTING REQUIREMENTS:_ BRIEFING _ LETTER REPORT _ FINAL REPORT _ OTHER

INITIATOR: WORK ASSIGNMENT MANAGER
ADDRESS:
(SIGN)______________ DATE: / /
NAME: ALLEN WOJTAS FTS #:8-886-6194 OFF-NET #:312-886-6194

APPROVAL:RGNL PROJ OFFICER OR HQPO
ADDRESS:230 S. Dearborn St. Chicago, IL. 60604
(SIGN) Fred Norling DATE:10/04/90
NAME: Fred Norling FTS #:8-886-4510 OFF-NET #:312-886-4510

CONTRACTING OFFICER

(SIGN)______________ DATE: / /
NAME: Stephen Kovash (Effective Date)

C.NTRACTOR ACKNOWLEDGEMENT OF RECEIPT
(SIGNATURE AND TITLE)

(TITLE)______________ DATE: / /

(SIGN)______________

STATEMENT OF WORK

1. Title

Custom Blended Oils, Inc., Peotone, Illinois, Evaluation of Ability to Pay.

2. Purpose of Task

The contractor will evaluate Custom Blended Oils, Inc.'s (E&L Tank Cleaners, Inc.) ability to pay a civil penalty of $85,750.

3. Background

Custom Blended Oils, Inc. (E&L Tank Cleaners, Inc.) was issued a complaint for violations of 40 CFR Part 266 on June 14, 1990. During negotiations with the facility, representatives have indicated that the facility is unable to pay the proposed civil penalty of $85,750. Expeditious analysis of financial data supplied is essential to ongoing settlement negotiations.

4. Description of Tasks

The contractor will determine Custom Blended Oils, Inc.'s ability to pay after evaluation of corporate financial data for Custom Blended Oils, Inc. and E&L Tank Cleaners, Inc., the predecessor corporation.

5. Deliverables Required

(a) Submit a detailed workplan describing the financial review process, level of contractor effort required (including a skill breakdown), and schedule for completing this work assignment. Specify standard procedures and analytical software to be used.

(b) Provide U.S. EPA with a written review of the financial records and determination of Custom Blended Oils, Inc.'s ability to pay the proposed civil penalty of $85,750. If it is found that Custom Blended Oils, Inc. does not have the ability to pay the proposed civil penalty, provide a determination of the ability possessed by Custom Blended Oils, Inc.

6. Schedule for Task Completion

(a) Financial data can be provided by U.S. EPA immediately when the work assignment is issued.

(b) The financial review and determination of ability to pay should take approximately two weeks to complete. A draft written review should be provided at this time. A final written review should be completed within one week after receipt of U.S. EPA comments on the draft.

7. Estimated Level of Effort

The estimated LOE for this work assignment is 100 hours.

8. Work Assignment Manager

The U.S. EPA primary contact is Allen Wojtas, an Environmental Engineer in the MI/WI Technical Enforcement Section of the RCRA Enforcement Branch. His telephone number is (312) 886-6194.

Allen
FYI

TECHNICAL ENFORCEMENT SUPPORT AT HAZARDOUS WASTE SITES

Funding: RCRA
Buy-in: No
2. TES Number: 10
3. Contract No.: 68-W9-0007
4. Work Assignment #: R05046
5. Amendment Number: 00003
6. Account #:
7. Prime Contractor: METCALF & EDDY
8. Priority: Normal
9. Site/Facility Name: CUSTOM BLENDED OILS
10. Location: PEOTONE
11. State: IL
12. Region/HQ: 05
13. EPA Site/Facility ID #: ILD069503944
14. NPL Site: No
15. RCRA Facility: Yes
16. CERCLA ONLY:FMS Site/Spill ID:
17. CERCLIS OP Unit #:
18. CERCLIS/Event/Activity/NSS: 2101- 1701- NN5-
19. Purpose: Revised Wp Approval
21. Task Type: Financial Assessment
22. Task Number: 10

23. Comment:

24. Base Period	LOE	Cost/Fee	25. Option Period	LOE	Cost/Fee
Previously Approved:	0	0		100	4,000
This Action:	0	0		0	0
Total:	0	0		100	4,000

26. Period Of Performance — From: (See Box 41) To: / / | From: (See Box 41) To: / /

27. Number of Pages to Follow: 0
28. Reference Information: _ Attached _ Transmitted Seperately _ Pick Up From
29. Reporting Requirements: _ Briefing X Draft Report X Letter Report X Final Report _ Other

30. Initiator: Work Assignment Manager (WAM)
(SIGN)
Name: ALLEN WOJTAS
31. Address:
32. Date: / /
33. FTS #: - -
34. Off-Net #: - -

35. Approval: Regional Project Officer OR HQ Project Officer (RPO/PO)
(SIGN) Fred Norling
Name: Fred Norling
36. Address: 230 S. Dearborn St. Chicago, IL.
37. Date: 05/06/91
38. FTS #: 8-886-4510
39. Off-Net #: 312-886-4510

40. Contracting Officer (CO)
(SIGN)
Name: Stephen Kovash
41. Date: / / (Effective Date)

42. Contractor Acknowledgement Of Receipt (Signature and Title)
(TITLE)
43. Date: / /
(SIGN)

05/06/91 13:48:53 Facsimile of EPA Form 9100-1 (2-88)

DATA FOR CUSTOM BLENDED OILS, INC.

ANALYSIS DATE: 3/8/91

DEBT EQUITY RATIOS

1989	43.19	A RATIO GREATER THAN 1.5 INDICATES THE FIRM MAY HAVE DIFFICULTY BORROWING
1988	N/A	THE FIRM HAS ZERO OR NEGATIVE EQUITY INDICATING INSOLVENCY
1987	5.79	A RATIO GREATER THAN 1.5 INDICATES THE FIRM MAY HAVE DIFFICULTY BORROWING
1986	9.75	A RATIO GREATER THAN 1.5 INDICATES THE FIRM MAY HAVE DIFFICULTY BORROWING
1985	8.85	A RATIO GREATER THAN 1.5 INDICATES THE FIRM MAY HAVE DIFFICULTY BORROWING

PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

CURRENT RATIOS

1989	4.03	A RATIO GREATER THAN OR EQUAL TO 2.0 INDICATES HEALTHY LIQUIDITY
1988	5.04	A RATIO GREATER THAN OR EQUAL TO 2.0 INDICATES HEALTHY LIQUIDITY
1987	1.39	A RATIO LESS THAN 2.0 MAY INDICATE LIQUIDITY PROBLEMS
1986	0.72	A RATIO LESS THAN 2.0 MAY INDICATE LIQUIDITY PROBLEMS
1985	0.34	A RATIO LESS THAN 2.0 MAY INDICATE LIQUIDITY PROBLEMS

PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

BEAVER`S RATIOS

1989	0.31	A RATIO GREATER THAN 0.20 INDICATES HEALTHY SOLVENCY
1988	0.14	A RATIO BETWEEN 0.10 AND 0.20 IS INDETERMINATE
1987	0.32	A RATIO GREATER THAN 0.20 INDICATES HEALTHY SOLVENCY
1986	0.17	A RATIO BETWEEN 0.10 AND 0.20 IS INDETERMINATE
1985	0.25	A RATIO GREATER THAN 0.20 INDICATES

HEALTHY SOLVENCY

PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

TIMES INTEREST EARNED

1989	2.60	A RATIO ABOVE 2.0 IS A GOOD SOLVENCY INDICATOR
1988	0.89	A RATIO LESS THAN 2.0 MAY INDICATE SOLVENCY PROBLEMS
1987	1.86	A RATIO LESS THAN 2.0 MAY INDICATE SOLVENCY PROBLEMS
1986	1.35	A RATIO LESS THAN 2.0 MAY INDICATE SOLVENCY PROBLEMS
1985	1.64	A RATIO LESS THAN 2.0 MAY INDICATE SOLVENCY PROBLEMS

PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

ABEL INTERPRETS THE OVERALL RESULTS OF THE FINANCIAL RATIOS AS FOLLOWS:

ALTHOUGH THE FIRM ALREADY HAS SUBSTANTIAL BORROWINGS ITS SHORT-TERM AND LONG-TERM PROSPECTS ARE PROBABLY SUFFICIENTLY STRONG TO ALLOW IT TO FINANCE PENALTIES OR INVESTMENTS. A PHASE TWO ANALYSIS IS RECOMMENDED.

ABEL NOTES THAT THE FIRM`S MOST RECENT DEBT-EQUITY RATIO IS SUBSTANTIALLY POORER THAN ITS HISTORIC AVERAGE.

ABEL NOTES THAT THE FIRM`S MOST RECENT CURRENT RATIO IS SUBSTANTIALLY BETTER THAN ITS HISTORIC AVERAGE.
ABEL NOTES THAT THE FIRM`S MOST RECENT TIMES INTEREST EARNED IS SUBSTANTIALLY BETTER THAN ITS HISTORIC AVERAGE.

DO YOU WISH TO CONTINUE WITH THE PHASE TWO ANALYSIS (Y OR N)?

PHASE TWO ANALYSIS

PLEASE ENTER WHAT YEARS DOLLARS YOU WANT PRESENT VALUE CALCULATIONS EXPRESSED IN.

DO YOU WISH TO ANALYZE A CIVIL PENALTY (P) ,A NEW INVESTMENT (I), OR BOTH (B) ?

PLEASE INPUT THE INITIAL PROPOSED SETTLEMENT PENALTY AMOUNT (E.G., 5000); IF THERE IS NO TARGETED PENALTY, ENTER 0.

PLEASE ENTER WHAT YEAR DOLLARS THIS IS EXPRESSED IN (E.G., 1984)

THE FOLLOWING STANDARD VALUES ARE USED IN THIS SECTION OF ABEL:

1. REINVESTMENT RATE = 0.00
2. NOMINAL DISCOUNT RATE =17.50%
3. INFLATION RATE = 3.44%
4. MARGINAL INCOME TAX RATE =38.50%

DO YOU WISH TO HAVE THESE ITEMS EXPLAINED (Y OR N)?

DO YOU WISH TO CHANGE ANY OF THESE INPUTS (Y OR N)?

ABEL IS READY TO PROVIDE OUTPUT. YOU HAVE THE CHOICE OF THREE OUTPUT OPTIONS:

1. PRINT ONLY THE POSSIBILITY OF THE PRESENT VALUE OF THE FIRM`S FIVE YEAR PROJECTED CASH FLOW EXCEEDING EITHER AN INITIAL PROPOSED SETTLEMENT PENALTY OR A REQUIRED INVESTMENT.

2. PRINT A TABLE SHOWING THE NET AVAILABLE CASH FLOW WITH AN ANALYSIS OF THE TABLE.

3. PRINT A DETAILED TABLE SHOWING THE COMPONENTS OF THE FIRM`S CASH FLOWS. THIS OPTION MAY BE HELPFUL TO FINANCIAL ANALYSTS BUT IS NOT RECOMMENDED FOR MOST USERS.

PLEASE ENTER YOUR CHOICE (1,2 OR 3).

THERE IS A 90.8 % CHANCE THAT THE FIRM CAN FINANCE THE PROPOSED SETTLEMENT PENALTY OF $ 85750.00 BASED ON THE STRENGTH OF INTERNALLY GENERATED CASH FLOWS FOR THE NEXT FIVE YEARS.

WOULD YOU LIKE TO SEE MORE DETAILED OUTPUT (Y OR N)?

WOULD YOU PREFER OUTPUT OPTION 2 OR 3?

ABEL IS READY TO BEGIN OUTPUT. IF YOU WISH, PLEASE POSITION YOUR PRINTER TO THE START OF A NEW PAGE. PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

DATA FOR CUSTOM BLENDED OILS, INC.

ANALYSIS DATE: 3/8/91

PROBABILITY	NET PRESENT VALUE AVAILABLE	EQUIVALENT ANNUAL CHARGE
50.0	288765.31	112125.56
60.0	250025.37	97083.12
70.0	208529.31	80970.50
80.0	159836.44	62063.39
90.0	92462.75	35902.65
95.0	36879.43	14320.03
99.0	0	0

THE ABOVE DATA ARE PRESENTED IN CURRENT-YEAR DOLLARS

```
PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

  THIS TABLE SHOWS THE PROBABILITY THAT THE VIOLATOR
  CAN FINANCE CIVIL PENALTIES OF A GIVEN AMOUNT.  FOR EXAMPLE,
  THERE IS A 95.00 % CHANCE OF FINANCING A LUMP
  SUM PENALTY OF UP TO $     36879.43 BASED ON THE STRENGTHS
  OF PROJECTED INTERNALLY GENERATED CASH FLOWS.  THIS IS
  EQUIVALENT TO ALLOWING THE FIRM TO MAKE THREE EQUAL ANNUAL
  PAYMENTS OF $     14320.03.

  DO YOU WISH TO PERFORM THE PHASE TWO ANALYSIS FOR
  THIS CASE AGAIN (Y OR N)?


    DO YOU WISH TO ANALYZE ANOTHER CASE (Y OR N)?


ALL OF YOUR OUTPUT HAS BEEN SAVED IN A FILE.
DO YOU WISH TO RECEIVE A PRINTED COPY OF THIS OUTPUT?
(Y=YES, N=NO)

   03/08/91            LEGAL RESEARCH SYSTEMS          09:23 AM


    1.   ENFORCEMENT DOCUMENT RETRIEVAL SYSTEM     (EDRS)
    2.   HAZARDOUS WASTE CASEFINDER                (HWCF)
    3.   SUPERFUND RECORDS OF DECISION SYSTEM      (RODS)
    4.   ATTORNEY ROSTER DATABASE                  (ROST)

    5.   BEN - PENALTY MODEL
    6.   ABEL - PENALTY MODEL

 C -  ENTER COMMENTS     E - EXIT TO TSO    L - LOGOFF COMPUTER
```

CUSTOM BLENDED OILS, INC.

CHICAGO LINE 312 / 821-4747
PEOTONE LINE 312 / 258-6881
P. O. BOX #41
PEOTONE, IL 60468

Quality Blended Fuel Oils

June 13, 1991

Sandra R. Otaka, Esq.
Assistant Regional Counsel
U.S. Environmental Protection Agency
Region V
230 South Dearborn Street
Chicago, Il. 60604

Re: Custom Blended Oils, Inc.
USEPA ID NO ILD 069 503 944

Dear Counsellor:

In accordance with discussions at our last meeting in your offices, we are enclosing the following documents.

1. Reviewed financial statement as of 9/30/90.

2. Reviewed financial statement as of 5/31/91.

3. Statement of R. Ray Simpson, Certified Public Accountant, detailing the basis of the financial statements and Federal Income Tax Returns. Also included is an analysis of why the Tax Returns show a slight profit and the fact that in that fiscal period Custom Blended suffered a substantial operating loss and loss of working capital which is depicted in the reviewed financial statements.

During that meeting, and at previous meetings, we have stated that Custom Blended was not able to pay penalties of the magnitude stated or even the revised amount.

One of the suggested methods for achieving payment was to sell or borrow against some of the companies assets. We have studied this suggestion thoroughly and have concluded the following.

1. The operating assets consisting of office equipment, process equipment, and two (2) automobiles used for sales representatives are all an integral part of day to day business operations. A sale or loss of any of this equipment would make it virtually impossible to stay in business.

2. The mobile assets consist of Four (4) Tractor-Trailer units and Five (5) Tank Trucks. These vehicles are all used for pick-up and delivery. The loss of any one of these trucks, for any reason, would be davastating

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because it would mean lost customers or suppliers and consequently lost business which the company positively cannot afford at this time. In fact any such loss would be so crippling to the company that the company very well could not survive.

3. Custom Blended also has an oil/water centrifuge and a 1979 truck both of which have no market value.

Please allow us to reiterate the fact that we have rectified our operating and record keeping procedures to comply with all applicable regulations and that we do provide a recycling service in the spirit of the Resource Conservation and Recovery Act.

Thank you very much for your help and consideration in resolving this matter.

Sincerely,
Custom Blended Oils, Inc.

Lorene Winkle KH.

Table 1. Financial Information for Custom Blended Oils, Inc.
FY 1990, May 31, 1991 and 1991 annualized data (reviewed data)

Item	FY 1990	May 31, 1991	Annualized 1991 1/
	------------------(\$)------------------		
INCOME STATEMENT DATA:			
**********************			
Sales	1,485,320	630,684	838,810
Cost of Goods Sold	828,435	232,305	308,966
Gross Profit	656,885	398,379	529,844
Other Income	177,296	54,436	72,400
Total Income	834,181	452,815	602,244
Selling and Administrative	947,239	545,891	726,035
Interest	20,633	10,245	13,626
Total Expenses	967,872	556,136	739,661
Net Income (Loss) Before Tax	(133,691)	(103,321)	(137,417)
Extraordinary Items/Disc Ops	0	0	0
Provision for Taxes	0	0	0
Net Income After Taxes	(133,691)	(103,321)	(137,417)
Depreciation/Depletion	67,921	29,317	38,992
Cash Flow	(65,770)	(74,004)	(98,425)
BALANCE SHEET DATA:			
*******************			
ASSETS			
Cash	4,594	17,256	------
Accounts Receivable	53,110	34,549	------
Inventories	53,241	19,440	------
Prepaid Interest	29,464	19,270	------
Notes Receivable	0	0	------
Employee Advances	0	95	------
Total Current Assets	140,409	90,610	------
Investment in Related Company	14,144	16,002	------
Net Property and Equipment	171,681	143,594	------
Deferred Charges	0	0	------
Invest & Adv to Subs	0	0	------
Total Long-Term Assets	185,825	159,596	------
Total Assets	326,234	250,206	------

Table 1. Financial Information for Custom Blended Oils, Inc.
FY 1990, May 31, 1991 and 1991 annualized data (reviewed data)

Item	FY 1990	May 31, 1991	Annualized 1991 1/
	($)		
LIABILITIES			
Accounts Payable	85,839	155,126	------
Garnishment Payable	0	94	------
Current Portion,Long-term Debt	98,391	81,053	------
Payroll Taxes Payable	6,766	6,407	------
Sales Tax Payable	6,724	(595)	------
Current Portion,Capital Leases	0	0	------
Other Current Liabilities	0	0	------
Total Current Liabilities	197,720	242,085	------
Deferred Charges/Inc	0	0	------
Noncurrent Capital Leases	0	0	------
Other Long-term Liabilities	0	0	------
Long-term Debt	86,455	69,383	------
Total Long-term Liabilities	86,455	69,383	------
Total Liabilities	284,175	311,468	------
Common Stock Net	0	0	------
Treasury Stock	0	0	------
Retained Earnings	32,059	(71,262)	------
Capital Stock	10,000	10,000	------
Total Owners' Equity	42,059	(61,262)	------
Total Liabilities & Owners' Equity	326,234	250,206	------

1/ Annualized 1991 data are obtained by multiplying the May 31, 1991 data by 1.33 (May 31, 1991 data represents 2/3 of the fiscal year). This estimation of 1991 data may not be reflective of the actual 1991 data. It is not appropriate to annualize balance sheet data; thus, only income statement data are annualized for FY 1991.

Table 2. Financial Information for Custom Blended Oils, Inc. as a Percent of Sales, Assets or Liabilities and Owners' Equity FY 1990, May 31, 1991 and 1991 annualized data (reviewed data)

Item	FY 1990	May 31, 1991	Annualized 1991
INCOME STATEMENT DATA:			
*********************			
	(Percent of Sales)		
Sales	100.0%	100.0%	100.0%
Cost of Goods Sold	55.8%	36.8%	36.8%
Gross Profit	44.2%	63.2%	63.2%
Other Income	11.9%	8.6%	8.6%
Total Income	56.2%	71.8%	71.8%
Selling and Administrative	63.8%	86.6%	86.6%
Interest	1.4%	1.6%	1.6%
Total Expenses	65.2%	88.2%	88.2%
Net Income (Loss) Before Tax	-9.0%	-16.4%	-16.4%
Extraordinary Items/Disc Ops	0.0%	0.0%	0.0%
Taxes	0.0%	0.0%	0.0%
Net Income After Taxes	-9.0%	-16.4%	-16.4%
Depreciation/Depletion	4.6%	4.6%	4.6%
Cash Flow	-4.4%	-11.7%	-11.7%
BALANCE SHEET DATA:			
******************			
	(Percent of Assets)		
ASSETS			
Cash	1.4%	6.9%	------
Accounts Receivable	16.3%	13.8%	------
Inventories	16.3%	7.8%	------
Prepaid Interest	9.0%	7.7%	------
Notes Receivable	0.0%	0.0%	------
Employee Advances	0.0%	0.0%	------
Total Current Assets	43.0%	36.2%	------
Investment in Related Company	4.3%	6.4%	------
Net Property and Equipment	52.6%	57.4%	------
Deferred Charges	0.0%	0.0%	------
Invest & Adv to Subs	0.0%	0.0%	------
Total Long-Term Assets	57.0%	63.8%	------
Total Assets	100.0%	100.0%	------

Table 2. Financial Information for Custom Blended Oils, Inc. as a Percent of Sales, Assets or Liabilities and Owners' Equity FY 1990, May 31, 1991 and 1991 annualized data (reviewed data)

Item	FY 1990	May 31, 1991	Annualized 1991
	-----(Percent of Liabilities & Owners' Equity)-		
LIABILITIES			
Accounts Payable	26.3%	62.0%	------
Garnishment Payable	0.0%	0.0%	------
Current Portion,Long-term Debt	30.2%	32.4%	------
Payroll Taxes Payable	2.1%	2.6%	------
Sales Tax Payable	2.1%	-0.2%	------
Current Portion,Capital Leases	0.0%	0.0%	------
Other Current Liabilities	0.0%	0.0%	------
Total Current Liabilities	60.6%	96.8%	------
Deferred Charges/Inc	0.0%	0.0%	------
Noncurrent Capital Leases	0.0%	0.0%	------
Other Long-term Liabilities	0.0%	0.0%	------
Long-term Debt	26.5%	27.7%	------
Total Long-term Liabilities	26.5%	27.7%	------
Total Liabilities	87.1%	124.5%	------
Common Stock Net	0.0%	0.0%	------
Treasury Stock	0.0%	0.0%	------
Retained Earnings	9.8%	-28.5%	------
Capital Stock	3.1%	4.0%	------
Total Owners' Equity	12.9%	-24.5%	------
Total Liabilities & Owners' Equity	100.0%	100.0%	------

Table 3. Ratio Analysis for Custom Blended Oil, Using Reviewed Financial Data

Ratio	FY 1990 Custom	FY 1990 SIC 5172 1/	May 31, 1991 Custom	Problem Zone	1990 Ratios Falling in Problem Zone
LIQUIDITY RATIOS:					
Current Ratio	0.71	1.80	0.37	<2.0	*
Quick Ratio	0.44	1.20	0.29	<1.0	*
LEVERAGE RATIOS:					
Debt to Equity Ratio	6.76	0.91	-5.08	>1.5	*
Debt to Assets Ratio	0.87	0.51	1.24	>0.65	*
SOLVENCY RATIOS:					
Fixed Charge Coverage Ratio	-0.41	N/A 2/	-0.42	<1.5	*
Cash Flow Coverage Ratio	-0.23	N/A	-0.24	<0.15	*
Beaver's Ratio	-0.23	N/A	-0.24	<0.10	*
Times Interest Earned	-5.48	N/A	-9.09	<2.0	*
PROFITABILITY RATIOS:					
Return on Equity	-3.18	0.11	1.69	<COC 3/	*
Return on Assets	-0.41	0.05	-0.41	<0.06	*

1/ The SIC 5172 ratios represent median ratios for the industry (industry norms) as reported in Dun & Bradstreet's Industry Norms & Key Business Ratios. The only exception is the debt to assets ratio; this ratio is a calculated mean for 1,665 establishments in SIC 5172 in 1990, based on data found in the same publication.

2/ N/A = Not Available and cannot be calculated from available industry data.

3/ COC = Cost of Capital for the company

Table 4. Ratio Analysis for Custom Blended Oil, Using Reviewed Financial Data [Scenario 1: Assumes Payment of a $20,000 Civil Penalty Through the Sale of $22,000 in Accounts Receivable]

Ratio	FY 1990 Custom	FY 1990 SIC 5172 1/	May 31, 1991 Custom	Problem Zone	1990 Ratios Falling in Problem Zone
LIQUIDITY RATIOS:					
Current Ratio	0.60	1.80	0.28	<2.0	*
Quick Ratio	0.33	1.20	0.20	<I.0	*
LEVERAGE RATIOS:					
Debt to Equity Ratio	14.17	0.91	-3.74	>1.5	*
Debt to Assets Ratio	0.93	0.51	1.36	>0.65	*
SOLVENCY RATIOS:					
Fixed Charge Coverage Ratio	-0.48	N/A 2/	-0.51	<1.5	*
Cash Flow Coverage Ratio	-0.30	N/A	-0.30	<0.15	*
Beaver's Ratio	-0.30	N/A	-0.30	<0.10	*
Times Interest Earned	-6.45	N/A	-11.04	<2.0	*
PROFITABILITY RATIOS:					
Return on Equity	-7.66	0.I1	1.48	<COC 3/	*
Return on Assets	-0.5I	0.05	-0.54	<0.06	*

1/ The SIC 5172 ratios represent median ratios for the industry (industry norms) as reported in Dun & Bradstreet's Industry Norms & Key Business Ratios. The only exception is the debt to assets ratio; this ratio is a calculated mean based on 1,665 establishments in SIC 5172 in 1990, based on data found in the same publication.

2/ N/A = Not Available and cannot be calculated from available industry data.

3/ COC = Cost of Capital for the company

Table 5. Ratio Analysis for Custom Blended Oil, Using Reviewed Financial Data [Scenario 2: Assumes Payment of a $30,000 Civil Penalty Through the Sale of $22,000 of Accounts Receivable and New Long-term Debt of $10,000]

Ratio	FY 1990		May 31, 1991	Problem Zone	1990 Ratios Falling in Problem Zone
	Custom	SIC 5172 1/	Custom		
LIQUIDITY RATIOS:					
Current Ratio	0.60	1.80	0.28	<2.0	*
Quick Ratio	0.33	1.20	0.20	<1.0	*
LEVERAGE RATIOS:					
Debt to Equity Ratio	29.24	0.91	-3.45	>1.5	*
Debt to Assets Ratio	0.97	0.51	1.41	>0.65	*
SOLVENCY RATIOS:					
Fixed Charge Coverage Ratio	-0.52	N/A 2/	-0.56	<1.5	*
Cash Flow Coverage Ratio	-0.33	N/A	-0.32	<0.15	*
Beaver's Ratio	-0.33	N/A	-0.32	<0.10	*
Times Interest Earned	-6.93	N/A	-12.01	<2.0	*
PROFITABILITY RATIOS:					
Return on Equity	-16.27	0.11	1.43	<COC 3/	*
Return on Assets	-0.54	0.05	-0.5B	<0.06	*

1/ The SIC 5172 ratios represent median ratios for the industry (industry norms) as reported in Dun & Bradstreet's Industry Norms & Key Business Ratios. The only exception is the debt to assets ratio; this ratio is a calculated mean for 1,665 establishments in SIC 5172 in 1990, based on data found in the same publication.

2/ N/A = Not Available and cannot be calculated from available industry data.

3/ COC = Cost of Capital for the company

Table 6. Ratio Analysis for Custom Blended Oil, Using Reviewed Financial Data [Scenario 3: Assumes Payment of a $40,000 Civil Penalty Through the Acquisition of $40,000 in New Long-term Debt]

Ratio	FY 1990 Custom	FY 1990 SIC 5172 1/	May 31, 1991 Custom	Problem Zone	1990 Ratios Falling in Problem Zone
LIQUIDITY RATIOS:					
Current Ratio	0.71	1.80	0.37	<2.0	*
Quick Ratio	0.44	1.20	0.29	<1.0	*
LEVERAGE RATIOS:					
Debt to Equity Ratio	157.44	0.91	-3.47	>1.5	*
Debt to Assets Ratio	0.99	0.51	1.40	>0.65	*
SOLVENCY RATIOS:					
Fixed Charge Coverage Ratio	-0.56	N/A 2/	-0.60	<1.5	*
Cash Flow Coverage Ratio	-0.33	N/A	-0.32	<0.15	*
Beaver's Ratio	-0.33	N/A	-0.32	<0.10	*
Times Interest Earned	-7.42	N/A	-12.99	<2.0	*
PROFITABILITY RATIOS:					
Return on Equity	-84.36	0.11	1.42	<COC 3/	*
Return on Assets	-0.53	0.05	-0.57	<0.06	*

1/ The SIC 5172 ratios represent median ratios for the industry (industry norms) as reported in Dun & Bradstreet's Industry Norms & Key Business Ratios. The only exception is the debt to assets ratio; this ratio is a calculated mean for 1,665 establishments in SIC 5172 in 1990, based on data found in the same publication.

2/ N/A = Not Available and cannot be calculated from available industry data.

3/ COC = Cost of Capital for the company

Table 7. Summary table of ratio analysis for Custom Blended Oil, based on reviewed 1990 data and assumed payment of civil penalty under three scenarios

Ratio	Industry Norm For 1990 1/	Custom Blended Oil's 1990 Ratios 2/ Actual	Scenario 1	Scenario 2	Scenario 3	Problem Zone
LIQUIDITY RATIOS:						
*****************						
Current Ratio	1.8	0.71	0.60	0.60	0.71	<2.0
Quick Ratio	1.2	0.44	0.33	0.33	0.44	<1.0
LEVERAGE RATIOS:						
****************						
Debt to Equity Ratio	0.91	6.76	14.17	29.24	157.44	>1.5
Debt to Assets Ratio	0.51	0.87	0.93	0.97	0.99	>0.65
SOLVENCY RATIOS:						
****************						
Fixed Charge Coverage Ratio	N/A 3/	-0.41	-0.48	-0.52	-0.56	<1.5
Cash Flow Coverage Ratio	N/A	-0.23	-0.30	-0.33	-0.33	<0.15
Beaver's Ratio	N/A	-0.23	-0.30	-0.33	-0.33	<0.10
Times Interest Earned	N/A	-5.48	-6.45	-6.93	-7.42	<2.0
PROFITABILITY RATIOS:						
*********************						
Return on Equity	0.11	-3.18	-7.66	-16.27	-84.36	<COC 4/
Return on Assets	0.05	-0.41	-0.51	-0.54	-0.53	<0.06

1/ Industry norms are representative of SIC 5172, Petroleum and Petroleum Products Wholesalers, Except Bulk Stations and Terminals

2/ Scenarios 1, 2 and 3 have the following characteristics:

	Scenario 1	Scenario 2	Scenario 3
Civil Penalty Payment	$20,000	$30,000	$40,000
Source of Payment	(1) Sale of $22,000 in Accounts Receivable	(1) Sale of $22,000 in Accounts Receivable (2) New Long-term Debt of $10,000	(1) New Long-term Debt of $40,000
Assumed Financial Statement Data ($):			
Sales	1,485,320	1,485,320	1,485,320
Net Income After Taxes	(153,691)	(163,691)	(173,691)
Current Assets	118,409	118,409	140,409
Long-term Debt	86,455	96,455	126,455

3/ N/A = Not available and cannot be calculated from available published data.

DATA FOR E AND L TANK CLEANERS

ANALYSIS DATE: 12/11/90

DEBT EQUITY RATIOS

1987	1.32	A RATIO LESS THAN 1.5 INDICATES THE FIRM MAY HAVE ADDITIONAL DEBT CAPACITY
1986	2.42	A RATIO GREATER THAN 1.5 INDICATES THE FIRM MAY HAVE DIFFICULTY BORROWING
1985	8.85	A RATIO GREATER THAN 1.5 INDICATES THE FIRM MAY HAVE DIFFICULTY BORROWING
1984	23.92	A RATIO GREATER THAN 1.5 INDICATES THE FIRM MAY HAVE DIFFICULTY BORROWING

PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

CURRENT RATIOS

1987	0.57	A RATIO LESS THAN 2.0 MAY INDICATE LIQUIDITY PROBLEMS
1986	0.81	A RATIO LESS THAN 2.0 MAY INDICATE LIQUIDITY PROBLEMS
1985	0.34	A RATIO LESS THAN 2.0 MAY INDICATE LIQUIDITY PROBLEMS
1984	0.36	A RATIO LESS THAN 2.0 MAY INDICATE LIQUIDITY PROBLEMS

PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

BEAVER`S RATIOS

1987	0.64	A RATIO GREATER THAN 0.20 INDICATES HEALTHY SOLVENCY
1986	0.58	A RATIO GREATER THAN 0.20 INDICATES HEALTHY SOLVENCY
1985	0.25	A RATIO GREATER THAN 0.20 INDICATES HEALTHY SOLVENCY
1984	0.22	A RATIO GREATER THAN 0.20 INDICATES HEALTHY SOLVENCY

PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

TIMES INTEREST EARNED

1987	4.14	A RATIO ABOVE 2.0 IS A GOOD

```
                SOLVENCY INDICATOR

1986       2.80  A RATIO ABOVE 2.0 IS A GOOD
                 SOLVENCY INDICATOR

1985       1.64  A RATIO LESS THAN 2.0 MAY INDICATE
                 SOLVENCY PROBLEMS

1984       0.28  A RATIO LESS THAN 2.0 MAY INDICATE
                 SOLVENCY PROBLEMS

 PLEASE ENTER A CARRIAGE RETURN TO CONTINUE


    ABEL INTERPRETS THE OVERALL RESULTS OF THE FINANCIAL
    RATIOS AS FOLLOWS:

    ALTHOUGH THE FIRM MAY FACE CURRENT CASH (OR LIQUIDITY)
    CONSTRAINTS, ITS LONG-TERM PROSPECTS ARE GOOD AND IT SHOULD
    BE ABLE TO FINANCE PENALTIES AND INVESTMENTS. A PHASE
    TWO ANALYSIS IS RECOMMENDED.

    ABEL NOTES THAT THE FIRM`S MOST RECENT DEBT-EQUITY
    RATIO IS SUBSTANTIALLY BETTER THAN ITS HISTORIC AVERAGE.

    ABEL NOTES THAT THE FIRM`S MOST RECENT BEAVER`S
    RATIO IS SUBSTANTIALLY BETTER THAN ITS HISTORIC AVERAGE.
    ABEL NOTES THAT THE FIRM`S MOST RECENT TIMES INTEREST
    EARNED IS SUBSTANTIALLY BETTER THAN ITS HISTORIC AVERAGE.

    DO YOU WISH TO CONTINUE WITH THE PHASE TWO ANALYSIS
    (Y OR N)?


    PHASE TWO ANALYSIS

    PLEASE ENTER WHAT YEARS DOLLARS YOU WANT PRESENT
    VALUE CALCULATIONS EXPRESSED IN.


    THAT IS QUITE DIFFERENT FROM THE MOST RECENT YEAR OF
    DATA WHICH IS 1987 ARE YOU SURE IT IS CORRECT (Y OR N)?


    PLEASE ENTER WHAT YEARS DOLLARS YOU WANT PRESENT
    VALUE CALCULATIONS EXPRESSED IN.


    DO YOU WISH TO ANALYZE A CIVIL PENALTY (P) ,A NEW
    INVESTMENT (I), OR BOTH (B) ?


    PLEASE INPUT THE INITIAL PROPOSED SETTLEMENT PENALTY
    AMOUNT (E.G., 5000); IF THERE IS NO TARGETED PENALTY,
    ENTER 0.


    PLEASE ENTER WHAT YEAR DOLLARS THIS IS EXPRESSED IN
    (E.G., 1984)


    THE FOLLOWING STANDARD VALUES ARE USED IN THIS SECTION OF
    ABEL:
    1.  REINVESTMENT RATE = 0.00
    2.  NOMINAL DISCOUNT RATE =17.50%
    3.  INFLATION RATE = 3.44%
```

4. MARGINAL INCOME TAX RATE =38.50%

DO YOU WISH TO HAVE THESE ITEMS EXPLAINED (Y OR N)?

DO YOU WISH TO CHANGE ANY OF THESE INPUTS (Y OR N)?

ABEL IS READY TO PROVIDE OUTPUT. YOU HAVE THE CHOICE OF THREE OUTPUT OPTIONS:

1. PRINT ONLY THE POSSIBILITY OF THE PRESENT VALUE OF THE FIRM`S FIVE YEAR PROJECTED CASH FLOW EXCEEDING EITHER AN INITIAL PROPOSED SETTLEMENT PENALTY OR A REQUIRED INVESTMENT.

2. PRINT A TABLE SHOWING THE NET AVAILABLE CASH FLOW WITH AN ANALYSIS OF THE TABLE.

3. PRINT A DETAILED TABLE SHOWING THE COMPONENTS OF THE FIRM`S CASH FLOWS. THIS OPTION MAY BE HELPFUL TO FINANCIAL ANALYSTS BUT IS NOT RECOMMENDED FOR MOST USERS.

PLEASE ENTER YOUR CHOICE (1,2 OR 3).

THERE IS A 98.7 % CHANCE THAT THE FIRM CAN FINANCE THE PROPOSED SETTLEMENT PENALTY OF $ 85750.00 BASED ON THE STRENGTH OF INTERNALLY GENERATED CASH FLOWS FOR THE NEXT FIVE YEARS.

WOULD YOU LIKE TO SEE MORE DETAILED OUTPUT (Y OR N)?

WOULD YOU PREFER OUTPUT OPTION 2 OR 3?

ABEL IS READY TO BEGIN OUTPUT. IF YOU WISH, PLEASE POSITION YOUR PRINTER TO THE START OF A NEW PAGE. PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

DATA FOR E AND L TANK CLEANERS

ANALYSIS DATE: 12/11/90

PROBABILITY	PV CASH FLOW	PV NEW INVST	PV O&M EXP	NET PV AVAILABLE	ANNUAL CHARGE
50.0	293904.50	0.00	0.00	293904.50	114121.06
60.0	270118.44	0.00	0.00	270118.44	104885.12
70.0	244640.25	0.00	0.00	244640.25	94992.12
80.0	214743.37	0.00	0.00	214743.37	83383.37
90.0	173376.56	0.00	0.00	173376.56	67320.87
95.0	139248.81	0.00	0.00	139248.81	54069.36
99.0	75130.25	0.00	0.00	75130.25	29172.56

THE ABOVE DATA ARE PRESENTED IN CURRENT-YEAR DOLLARS

PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

THIS TABLE SHOWS THE PROBABILITY THAT THE VIOLATOR CAN FINANCE CIVIL PENALTIES OF A GIVEN AMOUNT. FOR EXAMPLE, THERE IS A 95.00 % CHANCE OF FINANCING A LUMP SUM PENALTY OF UP TO $ 139248.81 BASED ON THE STRENGTHS OF PROJECTED INTERNALLY GENERATED CASH FLOWS. THIS IS EQUIVALENT TO ALLOWING THE FIRM TO MAKE THREE EQUAL ANNUAL PAYMENTS OF $ 54069.36.

DO YOU WISH TO PERFORM THE PHASE TWO ANALYSIS FOR THIS CASE AGAIN (Y OR N)?

PHASE TWO ANALYSIS

PLEASE ENTER WHAT YEARS DOLLARS YOU WANT PRESENT VALUE CALCULATIONS EXPRESSED IN.

DO YOU WISH TO ANALYZE A CIVIL PENALTY (P) ,A NEW INVESTMENT (I), OR BOTH (B) ?

PLEASE INPUT THE INITIAL PROPOSED SETTLEMENT PENALTY AMOUNT (E.G., 5000); IF THERE IS NO TARGETED PENALTY, ENTER 0.

PLEASE ENTER WHAT YEAR DOLLARS THIS IS EXPRESSED IN (E.G., 1984)

THE FOLLOWING STANDARD VALUES ARE USED IN THIS SECTION OF ABEL:

1. REINVESTMENT RATE = 0.00
2. NOMINAL DISCOUNT RATE =17.50%
3. INFLATION RATE = 3.44%
4. MARGINAL INCOME TAX RATE =38.50%

DO YOU WISH TO HAVE THESE ITEMS EXPLAINED (Y OR N)?

DO YOU WISH TO CHANGE ANY OF THESE INPUTS (Y OR N)?

ABEL IS READY TO PROVIDE OUTPUT. YOU HAVE THE CHOICE OF THREE OUTPUT OPTIONS:

1. PRINT ONLY THE POSSIBILITY OF THE PRESENT VALUE OF THE FIRM'S FIVE YEAR PROJECTED CASH FLOW EXCEEDING EITHER AN INITIAL PROPOSED SETTLEMENT PENALTY OR A REQUIRED INVESTMENT.

2. PRINT A TABLE SHOWING THE NET AVAILABLE CASH FLOW WITH AN ANALYSIS OF THE TABLE.

3. PRINT A DETAILED TABLE SHOWING THE COMPONENTS OF THE FIRM'S CASH FLOWS. THIS OPTION MAY BE HELPFUL TO FINANCIAL ANALYSTS BUT IS NOT RECOMMENDED FOR MOST USERS.

PLEASE ENTER YOUR CHOICE (1,2 OR 3).

THERE IS A 98.7 % CHANCE THAT THE FIRM CAN FINANCE THE PROPOSED SETTLEMENT PENALTY OF $ 85750.00 BASED ON THE STRENGTH OF INTERNALLY GENERATED CASH FLOWS FOR THE NEXT FIVE YEARS.

ABEL IS READY TO BEGIN OUTPUT. IF YOU WISH, PLEASE POSITION YOUR PRINTER TO THE START OF A NEW PAGE. PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

DATA FOR E AND L TANK CLEANERS

ANALYSIS DATE: 12/11/90

PROBABILITY	NET PRESENT VALUE AVAILABLE	EQUIVALENT ANNUAL CHARGE
50.0	293904.50	114121.06
60.0	270118.44	104885.12
70.0	244640.25	94992.12
80.0	214743.37	83383.37
90.0	173376.56	67320.87
95.0	139248.81	54069.36
99.0	75130.25	29172.56

THE ABOVE DATA ARE PRESENTED IN CURRENT-YEAR DOLLARS

PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

THIS TABLE SHOWS THE PROBABILITY THAT THE VIOLATOR CAN FINANCE CIVIL PENALTIES OF A GIVEN AMOUNT. FOR EXAMPLE, THERE IS A 95.00 % CHANCE OF FINANCING A LUMP SUM PENALTY OF UP TO $ 139248.81 BASED ON THE STRENGTHS OF PROJECTED INTERNALLY GENERATED CASH FLOWS. THIS IS EQUIVALENT TO ALLOWING THE FIRM TO MAKE THREE EQUAL ANNUAL PAYMENTS OF $ 54069.36.

DO YOU WISH TO PERFORM THE PHASE TWO ANALYSIS FOR THIS CASE AGAIN (Y OR N)?

DO YOU WISH TO ANALYZE ANOTHER CASE (Y OR N)?

ENTER SELECTION >

DATA FOR CBO/E AND L COMBINED

ANALYSIS DATE: 12/11/90

DEBT EQUITY RATIOS

1988	N/A	THE FIRM HAS ZERO OR NEGATIVE EQUITY INDICATING INSOLVENCY
1987	5.79	A RATIO GREATER THAN 1.5 INDICATES THE FIRM MAY HAVE DIFFICULTY BORROWING
1986	9.75	A RATIO GREATER THAN 1.5 INDICATES THE FIRM MAY HAVE DIFFICULTY BORROWING
1985	8.85	A RATIO GREATER THAN 1.5 INDICATES THE FIRM MAY HAVE DIFFICULTY BORROWING
1984	23.92	A RATIO GREATER THAN 1.5 INDICATES THE FIRM MAY HAVE DIFFICULTY BORROWING

PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

CURRENT RATIOS

1988	5.04	A RATIO GREATER THAN OR EQUAL TO 2.0 INDICATES HEALTHY LIQUIDITY
1987	1.39	A RATIO LESS THAN 2.0 MAY INDICATE LIQUIDITY PROBLEMS
1986	0.72	A RATIO LESS THAN 2.0 MAY INDICATE LIQUIDITY PROBLEMS
1985	0.34	A RATIO LESS THAN 2.0 MAY INDICATE LIQUIDITY PROBLEMS
1984	0.36	A RATIO LESS THAN 2.0 MAY INDICATE LIQUIDITY PROBLEMS

PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

BEAVER`S RATIOS

1988	0.14	A RATIO BETWEEN 0.10 AND 0.20 IS INDETERMINATE
87	0.32	A RATIO GREATER THAN 0.20 INDICATES HEALTHY SOLVENCY
1986	0.17	A RATIO BETWEEN 0.10 AND 0.20 IS INDETERMINATE
1985	0.25	A RATIO GREATER THAN 0.20 INDICATES HEALTHY SOLVENCY

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1984      0.22  A RATIO GREATER THAN 0.20 INDICATES
                HEALTHY SOLVENCY

 PLEASE ENTER A CARRIAGE RETURN TO CONTINUE


    TIMES INTEREST EARNED

1988      0.89  A RATIO LESS THAN 2.0 MAY INDICATE
                SOLVENCY PROBLEMS

1987      1.86  A RATIO LESS THAN 2.0 MAY INDICATE
                SOLVENCY PROBLEMS

1986      1.35  A RATIO LESS THAN 2.0 MAY INDICATE
                SOLVENCY PROBLEMS

1985      1.64  A RATIO LESS THAN 2.0 MAY INDICATE
                SOLVENCY PROBLEMS

1984      0.28  A RATIO LESS THAN 2.0 MAY INDICATE
                SOLVENCY PROBLEMS

 PLEASE ENTER A CARRIAGE RETURN TO CONTINUE


    ABEL INTERPRETS THE OVERALL RESULTS OF THE FINANCIAL
    RATIOS AS FOLLOWS:

    THE DATA SUGGEST THAT THE OVERALL ASSESSMENT OF THE
    FINANCIAL RATIOS IS INDETERMINATE.

    ABEL NOTES THAT THE FIRM`S MOST RECENT DEBT-EQUITY
    RATIO IS SUBSTANTIALLY BETTER THAN ITS HISTORIC AVERAGE.

    ABEL NOTES THAT THE FIRM`S MOST RECENT CURRENT
    RATIO IS SUBSTANTIALLY BETTER THAN ITS HISTORIC AVERAGE.

    ABEL NOTES THAT THE FIRM`S MOST RECENT BEAVER`S
    RATIO IS SUBSTANTIALLY POORER THAN ITS HISTORIC AVERAGE.

    ABEL NOTES THAT THE FIRM`S MOST RECENT TIMES INTEREST
    EARNED IS SUBSTANTIALLY POORER THAN ITS HISTORIC AVERAGE.

    DO YOU WISH TO CONTINUE WITH THE PHASE TWO ANALYSIS
    (Y OR N)?


    PHASE TWO ANALYSIS

    PLEASE ENTER WHAT YEARS DOLLARS YOU WANT PRESENT
    VALUE CALCULATIONS EXPRESSED IN.


    DO YOU WISH TO ANALYZE A CIVIL PENALTY (P) ,A NEW
    INVESTMENT (I), OR BOTH (B) ?


    PLEASE INPUT THE INITIAL PROPOSED SETTLEMENT PENALTY
    AMOUNT (E.G., 5000); IF THERE IS NO TARGETED PENALTY,
    ENTER 0.


    PLEASE ENTER WHAT YEAR DOLLARS THIS IS EXPRESSED IN
    (E.G., 1984)
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THE FOLLOWING STANDARD VALUES ARE USED IN THIS SECTION OF ABEL:

1. REINVESTMENT RATE = 0.00
2. NOMINAL DISCOUNT RATE =17.50%
3. INFLATION RATE = 3.44%
4. MARGINAL INCOME TAX RATE =38.50%

DO YOU WISH TO HAVE THESE ITEMS EXPLAINED (Y OR N)?

DO YOU WISH TO CHANGE ANY OF THESE INPUTS (Y OR N)?

ABEL IS READY TO PROVIDE OUTPUT. YOU HAVE THE CHOICE OF THREE OUTPUT OPTIONS:

1. PRINT ONLY THE POSSIBILITY OF THE PRESENT VALUE OF THE FIRM`S FIVE YEAR PROJECTED CASH FLOW EXCEEDING EITHER AN INITIAL PROPOSED SETTLEMENT PENALTY OR A REQUIRED INVESTMENT.

2. PRINT A TABLE SHOWING THE NET AVAILABLE CASH FLOW WITH AN ANALYSIS OF THE TABLE.

3. PRINT A DETAILED TABLE SHOWING THE COMPONENTS OF THE FIRM`S CASH FLOWS. THIS OPTION MAY BE HELPFUL TO FINANCIAL ANALYSTS BUT IS NOT RECOMMENDED FOR MOST USERS.

PLEASE ENTER YOUR CHOICE (1,2 OR 3).

THERE IS A 87.6 % CHANCE THAT THE FIRM CAN FINANCE THE PROPOSED SETTLEMENT PENALTY OF $ 85000.00 BASED ON THE STRENGTH OF INTERNALLY GENERATED CASH FLOWS FOR THE NEXT FIVE YEARS.

ABEL IS READY TO BEGIN OUTPUT. IF YOU WISH, PLEASE POSITION YOUR PRINTER TO THE START OF A NEW PAGE. PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

DATA FOR CBO/E AND L COMBINED

ANALYSIS DATE: 12/11/90

PROBABILITY	NET PRESENT VALUE AVAILABLE	EQUIVALENT ANNUAL CHARGE
50.0	290177.31	112673.81
60.0	245299.81	95248.19
70.0	197229.94	76583.00
80.0	140822.94	54680.58
90.0	62775.61	24375.34
95.0	0	0
99.0	0	0

THE ABOVE DATA ARE PRESENTED IN CURRENT-YEAR DOLLARS

PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

THIS TABLE SHOWS THE PROBABILITY THAT THE VIOLATOR CAN FINANCE CIVIL PENALTIES OF A GIVEN AMOUNT. FOR EXAMPLE, THERE IS A 50.00 % CHANCE OF FINANCING A LUMP SUM PENALTY OF UP TO $ 290177.31 BASED ON THE STRENGTHS OF PROJECTED INTERNALLY GENERATED CASH FLOWS. THIS IS EQUIVALENT TO ALLOWING THE FIRM TO MAKE THREE EQUAL ANNUAL PAYMENTS OF $ 112673.81.

DO YOU WISH TO PERFORM THE PHASE TWO ANALYSIS FOR THIS CASE AGAIN (Y OR N)?

PHASE TWO ANALYSIS

PLEASE ENTER WHAT YEARS DOLLARS YOU WANT PRESENT VALUE CALCULATIONS EXPRESSED IN.

DO YOU WISH TO ANALYZE A CIVIL PENALTY (P) ,A NEW INVESTMENT (I), OR BOTH (B) ?

PLEASE INPUT THE INITIAL PROPOSED SETTLEMENT PENALTY AMOUNT (E.G., 5000); IF THERE IS NO TARGETED PENALTY, ENTER 0.

PLEASE ENTER WHAT YEAR DOLLARS THIS IS EXPRESSED IN (E.G., 1984)

THE FOLLOWING STANDARD VALUES ARE USED IN THIS SECTION OF ABEL:

1. REINVESTMENT RATE = 0.00
2. NOMINAL DISCOUNT RATE =17.50%
3. INFLATION RATE = 3.44%
4. MARGINAL INCOME TAX RATE =38.50%

DO YOU WISH TO HAVE THESE ITEMS EXPLAINED (Y OR N)?

DO YOU WISH TO CHANGE ANY OF THESE INPUTS (Y OR N)?

ABEL IS READY TO PROVIDE OUTPUT. YOU HAVE THE CHOICE OF THREE OUTPUT OPTIONS:

1. PRINT ONLY THE POSSIBILITY OF THE PRESENT VALUE OF THE FIRM`S FIVE YEAR PROJECTED CASH FLOW EXCEEDING EITHER AN INITIAL PROPOSED SETTLEMENT PENALTY OR A REQUIRED INVESTMENT.

2. PRINT A TABLE SHOWING THE NET AVAILABLE CASH FLOW WITH AN ANALYSIS OF THE TABLE.

3. PRINT A DETAILED TABLE SHOWING THE COMPONENTS OF THE FIRM`S CASH FLOWS. THIS OPTION MAY BE HELPFUL TO FINANCIAL ANALYSTS BUT IS NOT RECOMMENDED FOR MOST USERS.

PLEASE ENTER YOUR CHOICE (1,2 OR 3).

THERE IS A 90.3 % CHANCE THAT THE FIRM CAN FINANCE THE PROPOSED SETTLEMENT PENALTY OF $ 60000.00 BASED ON THE STRENGTH OF INTERNALLY GENERATED CASH FLOWS FOR THE NEXT FIVE YEARS.

ABEL IS READY TO BEGIN OUTPUT. IF YOU WISH, PLEASE POSITION YOUR PRINTER TO THE START OF A NEW PAGE. PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

DATA FOR CBO/E AND L COMBINED

ANALYSIS DATE: 12/11/90

PROBABILITY	NET PRESENT VALUE AVAILABLE	EQUIVALENT ANNUAL CHARGE
50.0	290177.31	112673.81
60.0	245299.81	95248.19
70.0	197229.94	76583.00
80.0	140822.94	54680.58
90.0	62775.61	24375.34
95.0	0	0
99.0	0	0

THE ABOVE DATA ARE PRESENTED IN CURRENT-YEAR DOLLARS

PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

THIS TABLE SHOWS THE PROBABILITY THAT THE VIOLATOR CAN FINANCE CIVIL PENALTIES OF A GIVEN AMOUNT. FOR EXAMPLE, THERE IS A 50.00 % CHANCE OF FINANCING A LUMP SUM PENALTY OF UP TO $ 290177.31 BASED ON THE STRENGTHS OF PROJECTED INTERNALLY GENERATED CASH FLOWS. THIS IS EQUIVALENT TO ALLOWING THE FIRM TO MAKE THREE EQUAL ANNUAL PAYMENTS OF $ 112673.81.

DO YOU WISH TO PERFORM THE PHASE TWO ANALYSIS FOR THIS CASE AGAIN (Y OR N)?

PHASE TWO ANALYSIS

PLEASE ENTER WHAT YEARS DOLLARS YOU WANT PRESENT VALUE CALCULATIONS EXPRESSED IN.

DO YOU WISH TO ANALYZE A CIVIL PENALTY (P) ,A NEW INVESTMENT (I), OR BOTH (B) ?

PLEASE INPUT THE INITIAL PROPOSED SETTLEMENT PENALTY AMOUNT (E.G., 5000); IF THERE IS NO TARGETED PENALTY, ENTER 0.

PLEASE ENTER WHAT YEAR DOLLARS THIS IS EXPRESSED IN (E.G., 1984)

THE FOLLOWING STANDARD VALUES ARE USED IN THIS SECTION OF ABEL:
1. REINVESTMENT RATE = 0.00

2. NOMINAL DISCOUNT RATE =17.50%
3. INFLATION RATE = 3.44%
4. MARGINAL INCOME TAX RATE =38.50%

DO YOU WISH TO HAVE THESE ITEMS EXPLAINED (Y OR N)?

DO YOU WISH TO CHANGE ANY OF THESE INPUTS (Y OR N)?

ABEL IS READY TO PROVIDE OUTPUT. YOU HAVE THE CHOICE OF THREE OUTPUT OPTIONS:

1. PRINT ONLY THE POSSIBILITY OF THE PRESENT VALUE OF THE FIRM`S FIVE YEAR PROJECTED CASH FLOW EXCEEDING EITHER AN INITIAL PROPOSED SETTLEMENT PENALTY OR A REQUIRED INVESTMENT.

2. PRINT A TABLE SHOWING THE NET AVAILABLE CASH FLOW WITH AN ANALYSIS OF THE TABLE.

3. PRINT A DETAILED TABLE SHOWING THE COMPONENTS OF THE FIRM`S CASH FLOWS. THIS OPTION MAY BE HELPFUL TO FINANCIAL ANALYSTS BUT IS NOT RECOMMENDED FOR MOST USERS.

PLEASE ENTER YOUR CHOICE (1,2 OR 3).

THERE IS A 91.2 % CHANCE THAT THE FIRM CAN FINANCE THE PROPOSED SETTLEMENT PENALTY OF $ 50000.00 BASED ON THE STRENGTH OF INTERNALLY GENERATED CASH FLOWS FOR THE NEXT FIVE YEARS.

ABEL IS READY TO BEGIN OUTPUT. IF YOU WISH, PLEASE POSITION YOUR PRINTER TO THE START OF A NEW PAGE. PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

DATA FOR CBO/E AND L COMBINED

ANALYSIS DATE: 12/11/90

PROBABILITY	NET PRESENT VALUE AVAILABLE	EQUIVALENT ANNUAL CHARGE
50.0	290177.31	112673.81
60.0	245299.81	95248.19
70.0	197229.94	76583.00
80.0	140822.94	54680.58
90.0	62775.61	24375.34
95.0	0	0
99.0	0	0

THE ABOVE DATA ARE PRESENTED IN CURRENT-YEAR DOLLARS

PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

THIS TABLE SHOWS THE PROBABILITY THAT THE VIOLATOR CAN FINANCE CIVIL PENALTIES OF A GIVEN AMOUNT. FOR EXAMPLE, THERE IS A 50.00 % CHANCE OF FINANCING A LUMP

SUM PENALTY OF UP TO $ 290177.31 BASED ON THE STRENGTHS OF PROJECTED INTERNALLY GENERATED CASH FLOWS. THIS IS EQUIVALENT TO ALLOWING THE FIRM TO MAKE THREE EQUAL ANNUAL PAYMENTS OF $ 112673.81.

DO YOU WISH TO PERFORM THE PHASE TWO ANALYSIS FOR THIS CASE AGAIN (Y OR N)?

PHASE TWO ANALYSIS

PLEASE ENTER WHAT YEARS DOLLARS YOU WANT PRESENT VALUE CALCULATIONS EXPRESSED IN.

DO YOU WISH TO ANALYZE A CIVIL PENALTY (P) ,A NEW INVESTMENT (I), OR BOTH (B) ?

PLEASE INPUT THE INITIAL PROPOSED SETTLEMENT PENALTY AMOUNT (E.G., 5000); IF THERE IS NO TARGETED PENALTY, ENTER 0.

PLEASE ENTER WHAT YEAR DOLLARS THIS IS EXPRESSED IN (E.G., 1984)

THE FOLLOWING STANDARD VALUES ARE USED IN THIS SECTION OF ABEL:

1. REINVESTMENT RATE = 0.00
2. NOMINAL DISCOUNT RATE =17.50%
3. INFLATION RATE = 3.44%
4. MARGINAL INCOME TAX RATE =38.50%

DO YOU WISH TO HAVE THESE ITEMS EXPLAINED (Y OR N)?

DO YOU WISH TO CHANGE ANY OF THESE INPUTS (Y OR N)?

ABEL IS READY TO PROVIDE OUTPUT. YOU HAVE THE CHOICE OF THREE OUTPUT OPTIONS:

1. PRINT ONLY THE POSSIBILITY OF THE PRESENT VALUE OF THE FIRM`S FIVE YEAR PROJECTED CASH FLOW EXCEEDING EITHER AN INITIAL PROPOSED SETTLEMENT PENALTY OR A REQUIRED INVESTMENT.

2. PRINT A TABLE SHOWING THE NET AVAILABLE CASH FLOW WITH AN ANALYSIS OF THE TABLE.

3. PRINT A DETAILED TABLE SHOWING THE COMPONENTS OF THE FIRM`S CASH FLOWS. THIS OPTION MAY BE HELPFUL TO FINANCIAL ANALYSTS BUT IS NOT RECOMMENDED FOR MOST USERS.

PLEASE ENTER YOUR CHOICE (1,2 OR 3).

THERE IS A 87.6 % CHANCE THAT THE FIRM CAN FINANCE THE PROPOSED SETTLEMENT PENALTY OF $ 85000.00 BASED ON THE STRENGTH OF INTERNALLY GENERATED CASH FLOWS FOR THE NEXT FIVE YEARS.

ABEL IS READY TO BEGIN OUTPUT. IF YOU WISH, PLEASE POSITION YOUR PRINTER TO THE START OF A NEW PAGE. PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

DATA FOR CBO/E AND L COMBINED

ANALYSIS DATE: 12/11/90

PROBABILITY	PV CASH FLOW	PV NEW INVST	PV O&M EXP	NET PV AVAILABLE	ANNUAL CHARGE
50.0	290177.31	0.00	0.00	290177.31	112673.81
60.0	245299.81	0.00	0.00	245299.81	95248.19
70.0	197229.94	0.00	0.00	197229.94	76583.00
80.0	140822.94	0.00	0.00	140822.94	54680.58
90.0	62775.61	0.00	0.00	62775.61	24375.34
95.0	0	0.00	0.00	0	0
99.0	0	0.00	0.00	0	0

THE ABOVE DATA ARE PRESENTED IN CURRENT-YEAR DOLLARS

PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

THIS TABLE SHOWS THE PROBABILITY THAT THE VIOLATOR CAN FINANCE CIVIL PENALTIES OF A GIVEN AMOUNT. FOR EXAMPLE, THERE IS A 50.00 % CHANCE OF FINANCING A LUMP SUM PENALTY OF UP TO $ 290177.31 BASED ON THE STRENGTHS OF PROJECTED INTERNALLY GENERATED CASH FLOWS. THIS IS EQUIVALENT TO ALLOWING THE FIRM TO MAKE THREE EQUAL ANNUAL PAYMENTS OF $ 112673.81.

DO YOU WISH TO PERFORM THE PHASE TWO ANALYSIS FOR THIS CASE AGAIN (Y OR N)?

DO YOU WISH TO ANALYZE ANOTHER CASE (Y OR N)?

ALL OF YOUR OUTPUT HAS BEEN SAVED IN A FILE.
DO YOU WISH TO RECEIVE A PRINTED COPY OF THIS OUTPUT?
(Y=YES, N=NO)

DATA FOR E AND L TANK CLEANERS, INC.

ANALYSIS DATE: 10/04/90

DEBT EQUITY RATIOS

1987	1.32	A RATIO LESS THAN 1.5 INDICATES THE FIRM MAY HAVE ADDITIONAL DEBT CAPACITY
1986	2.42	A RATIO GREATER THAN 1.5 INDICATES THE FIRM MAY HAVE DIFFICULTY BORROWING
1985	8.85	A RATIO GREATER THAN 1.5 INDICATES THE FIRM MAY HAVE DIFFICULTY BORROWING
1984	23.92	A RATIO GREATER THAN 1.5 INDICATES THE FIRM MAY HAVE DIFFICULTY BORROWING

PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

CURRENT RATIOS

1987	0.57	A RATIO LESS THAN 2.0 MAY INDICATE LIQUIDITY PROBLEMS
1986	0.81	A RATIO LESS THAN 2.0 MAY INDICATE LIQUIDITY PROBLEMS
1985	0.34	A RATIO LESS THAN 2.0 MAY INDICATE LIQUIDITY PROBLEMS
1984	0.36	A RATIO LESS THAN 2.0 MAY INDICATE LIQUIDITY PROBLEMS

1

PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

BEAVER`S RATIOS

1987	0.64	A RATIO GREATER THAN 0.20 INDICATES HEALTHY SOLVENCY
1986	0.58	A RATIO GREATER THAN 0.20 INDICATES HEALTHY SOLVENCY
1985	0.25	A RATIO GREATER THAN 0.20 INDICATES HEALTHY SOLVENCY
1984	0.22	A RATIO GREATER THAN 0.20 INDICATES HEALTHY SOLVENCY

PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

TIMES INTEREST EARNED

1987	4.14	A RATIO ABOVE 2.0 IS A GOOD SOLVENCY INDICATOR

1986	2.80	A RATIO ABOVE 2.0 IS A GOOD SOLVENCY INDICATOR
1985	1.64	A RATIO LESS THAN 2.0 MAY INDICATE SOLVENCY PROBLEMS
1984	0.28	A RATIO LESS THAN 2.0 MAY INDICATE SOLVENCY PROBLEMS

PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

ABEL INTERPRETS THE OVERALL RESULTS OF THE FINANCIAL RATIOS AS FOLLOWS:

ALTHOUGH THE FIRM MAY FACE CURRENT CASH (OR LIQUIDITY) CONSTRAINTS, ITS LONG-TERM PROSPECTS ARE GOOD AND IT SHOULD BE ABLE TO FINANCE PENALTIES AND INVESTMENTS. A PHASE TWO ANALYSIS IS RECOMMENDED.

ABEL NOTES THAT THE FIRM`S MOST RECENT DEBT-EQUITY RATIO IS SUBSTANTIALLY BETTER THAN ITS HISTORIC AVERAGE.

ABEL NOTES THAT THE FIRM`S MOST RECENT BEAVER`S RATIO IS SUBSTANTIALLY BETTER THAN ITS HISTORIC AVERAGE.
ABEL NOTES THAT THE FIRM`S MOST RECENT TIMES INTEREST EARNED IS SUBSTANTIALLY BETTER THAN ITS HISTORIC AVERAGE.

2

DO YOU WISH TO CONTINUE WITH THE PHASE TWO ANALYSIS (Y OR N)?

PHASE TWO ANALYSIS

PLEASE ENTER WHAT YEARS DOLLARS YOU WANT PRESENT VALUE CALCULATIONS EXPRESSED IN.

DO YOU WISH TO ANALYZE A CIVIL PENALTY (P) ,A NEW INVESTMENT (I), OR BOTH (B) ?

PLEASE INPUT THE INITIAL PROPOSED SETTLEMENT PENALTY AMOUNT (E.G., 5000); IF THERE IS NO TARGETED PENALTY, ENTER 0.

PLEASE ENTER WHAT YEAR DOLLARS THIS IS EXPRESSED IN (E.G., 1984)

THE FOLLOWING STANDARD VALUES ARE USED IN THIS SECTION OF ABEL:

1. REINVESTMENT RATE = 0.00
2. NOMINAL DISCOUNT RATE =17.50%
3. INFLATION RATE = 3.44%
4. MARGINAL INCOME TAX RATE =38.50%

DO YOU WISH TO HAVE THESE ITEMS EXPLAINED (Y OR N)?

DO YOU WISH TO CHANGE ANY OF THESE INPUTS (Y OR N)?

ABEL IS READY TO PROVIDE OUTPUT. YOU HAVE THE CHOICE

OF THREE OUTPUT OPTIONS:

1. PRINT ONLY THE POSSIBILITY OF THE PRESENT VALUE OF THE FIRM'S FIVE YEAR PROJECTED CASH FLOW EXCEEDING EITHER AN INITIAL PROPOSED SETTLEMENT PENALTY OR A REQUIRED INVESTMENT.

2. PRINT A TABLE SHOWING THE NET AVAILABLE CASH FLOW WITH AN ANALYSIS OF THE TABLE.

3. PRINT A DETAILED TABLE SHOWING THE COMPONENTS OF THE FIRM'S CASH FLOWS. THIS OPTION MAY BE HELPFUL TO FINANCIAL ANALYSTS BUT IS NOT RECOMMENDED FOR MOST USERS.

PLEASE ENTER YOUR CHOICE (1,2 OR 3).

THERE IS A 98.7 % CHANCE THAT THE FIRM CAN FINANCE THE PROPOSED SETTLEMENT PENALTY OF $ 85750.00 BASED ON THE STRENGTH OF INTERNALLY GENERATED CASH FLOWS FOR THE NEXT FIVE YEARS.

WOULD YOU LIKE TO SEE MORE DETAILED OUTPUT (Y OR N)?

3

WOULD YOU PREFER OUTPUT OPTION 2 OR 3?

ABEL IS READY TO BEGIN OUTPUT. IF YOU WISH, PLEASE POSITION YOUR PRINTER TO THE START OF A NEW PAGE. PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

DATA FOR E AND L TANK CLEANERS, INC.

ANALYSIS DATE: 10/04/90

PROBABILITY	NET PRESENT VALUE AVAILABLE	EQUIVALENT ANNUAL CHARGE
50.0	293904.50	114121.06
60.0	270118.44	104885.12
70.0	244640.25	94992.12
80.0	214743.37	83383.37
90.0	173376.56	67320.87
95.0	139248.81	54069.36
99.0	75130.25	29172.56

THE ABOVE DATA ARE PRESENTED IN CURRENT-YEAR DOLLARS

PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

THIS TABLE SHOWS THE PROBABILITY THAT THE VIOLATOR CAN FINANCE CIVIL PENALTIES OF A GIVEN AMOUNT. FOR EXAMPLE, THERE IS A 95.00 % CHANCE OF FINANCING A LUMP SUM PENALTY OF UP TO $ 139248.81 BASED ON THE STRENGTHS OF PROJECTED INTERNALLY GENERATED CASH FLOWS. THIS IS EQUIVALENT TO ALLOWING THE FIRM TO MAKE THREE EQUAL ANNUAL PAYMENTS OF $ 54069.36.

DO YOU WISH TO PERFORM THE PHASE TWO ANALYSIS FOR
THIS CASE AGAIN (Y OR N)?

PHASE TWO ANALYSIS

PLEASE ENTER WHAT YEARS DOLLARS YOU WANT PRESENT
VALUE CALCULATIONS EXPRESSED IN.

DO YOU WISH TO ANALYZE A CIVIL PENALTY (P) ,A NEW
INVESTMENT (I), OR BOTH (B) ?

PLEASE INPUT THE INITIAL PROPOSED SETTLEMENT PENALTY
AMOUNT (E.G., 5000); IF THERE IS NO TARGETED PENALTY,
ENTER 0.

PLEASE ENTER WHAT YEAR DOLLARS THIS IS EXPRESSED IN
(E.G., 1984)

THE FOLLOWING STANDARD VALUES ARE USED IN THIS SECTION OF
ABEL:
1. REINVESTMENT RATE = 0.00
2. NOMINAL DISCOUNT RATE =17.50%
3. INFLATION RATE = 3.44%
4. MARGINAL INCOME TAX RATE =38.50%

DO YOU WISH TO HAVE THESE ITEMS EXPLAINED (Y OR N)?

4

DO YOU WISH TO CHANGE ANY OF THESE INPUTS (Y OR N)?

ABEL IS READY TO PROVIDE OUTPUT. YOU HAVE THE CHOICE
OF THREE OUTPUT OPTIONS:

1. PRINT ONLY THE POSSIBILITY OF THE PRESENT VALUE
   OF THE FIRM`S FIVE YEAR PROJECTED CASH FLOW EXCEEDING
   EITHER AN INITIAL PROPOSED SETTLEMENT PENALTY OR A REQUIRED
   INVESTMENT.

2. PRINT A TABLE SHOWING THE NET AVAILABLE CASH FLOW
   WITH AN ANALYSIS OF THE TABLE.

3. PRINT A DETAILED TABLE SHOWING THE COMPONENTS OF THE
   FIRM`S CASH FLOWS. THIS OPTION MAY BE HELPFUL TO FINANCIAL
   ANALYSTS BUT IS NOT RECOMMENDED FOR MOST USERS.

PLEASE ENTER YOUR CHOICE (1,2 OR 3).

THERE IS A 98.8 % CHANCE THAT THE FIRM
CAN FINANCE THE PROPOSED SETTLEMENT PENALTY OF
$ 85750.00 BASED ON THE STRENGTH OF INTERNALLY
GENERATED CASH FLOWS FOR THE NEXT FIVE YEARS.

WOULD YOU LIKE TO SEE MORE DETAILED OUTPUT (Y OR N)?

WOULD YOU PREFER OUTPUT OPTION 2 OR 3?

ABEL IS READY TO BEGIN OUTPUT. IF YOU WISH, PLEASE
POSITION YOUR PRINTER TO THE START OF A NEW PAGE. PLEASE

ENTER A CARRIAGE RETURN TO CONTINUE

DATA FOR E AND L TANK CLEANERS, INC.

ANALYSIS DATE: 10/04/90

PROBABILITY	NET PRESENT VALUE AVAILABLE	EQUIVALENT ANNUAL CHARGE
50.0	304014.56	118046.75
60.0	279410.25	108493.06
70.0	253055.62	98259.75
80.0	222130.37	86251.69
90.0	179340.56	69636.69
95.0	144038.87	55929.31
99.0	77714.75	30176.11

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THE ABOVE DATA ARE PRESENTED IN CURRENT-YEAR DOLLARS

PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

THIS TABLE SHOWS THE PROBABILITY THAT THE VIOLATOR CAN FINANCE CIVIL PENALTIES OF A GIVEN AMOUNT. FOR EXAMPLE, THERE IS A 95.00 % CHANCE OF FINANCING A LUMP SUM PENALTY OF UP TO $ 144038.87 BASED ON THE STRENGTHS OF PROJECTED INTERNALLY GENERATED CASH FLOWS. THIS IS EQUIVALENT TO ALLOWING THE FIRM TO MAKE THREE EQUAL ANNUAL PAYMENTS OF $ 55929.31.

DO YOU WISH TO PERFORM THE PHASE TWO ANALYSIS FOR THIS CASE AGAIN (Y OR N)?

DO YOU WISH TO ANALYZE ANOTHER CASE (Y OR N)?

ALL OF YOUR OUTPUT HAS BEEN SAVED IN A FILE.
DO YOU WISH TO RECEIVE A PRINTED COPY OF THIS OUTPUT?
(Y=YES, N=NO)

10/04/90 LEGAL RESEARCH SYSTEMS 09:48 AM

1. ENFORCEMENT DOCUMENT RETRIEVAL SYSTEM (EDRS)
2. HAZARDOUS WASTE CASEFINDER (HWCF)
3. SUPERFUND RECORDS OF DECISION SYSTEM (RODS)
4. ATTORNEY ROSTER DATABASE (ROST)

5. BEN - PENALTY MODEL
6. ABEL - PENALTY MODEL

C - ENTER COMMENTS E - EXIT TO TSO L - LOGOFF COMPUTER

ENTER SELECTION >
MUN :INDX LOGGED OFF 10/04/90 AT 9:49:07
0:27:44 CONNECT TIME, 0:03.11 TCB, 0:00.51 SRB

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EXCPS: 35 DA, 0 MT, 908 TERM, 0 OTHER, 943 TOTAL
CHARGES: $.00 CONNECT, $.53 CPU, $.21 EXCPS
$.74 TOTAL CHARGE FOR SESSION
IKJ56470I MUN LOGGED OFF TSO AT 09:49:22 ON OCTOBER 4, 1990
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DATA FOR CUSTOM BLENDED OILS, INC.

ANALYSIS DATE: 10/03/90

DEBT EQUITY RATIOS

1988	N/A	THE FIRM HAS ZERO OR NEGATIVE EQUITY INDICATING INSOLVENCY
1987	N/A	THE FIRM HAS ZERO OR NEGATIVE EQUITY INDICATING INSOLVENCY
1986	N/A	THE FIRM HAS ZERO OR NEGATIVE EQUITY INDICATING INSOLVENCY

PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

CURRENT RATIOS

1988	5.04	A RATIO GREATER THAN OR EQUAL TO 2.0 INDICATES HEALTHY LIQUIDITY
1987	3.76	A RATIO GREATER THAN OR EQUAL TO 2.0 INDICATES HEALTHY LIQUIDITY
1986	0.69	A RATIO LESS THAN 2.0 MAY INDICATE LIQUIDITY PROBLEMS

PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

BEAVER'S RATIOS

1988	0.14	A RATIO BETWEEN 0.10 AND 0.20 IS INDETERMINATE
1987	0.17	A RATIO BETWEEN 0.10 AND 0.20 IS INDETERMINATE
1986	-0.09	A RATIO BELOW 0.10 INDICATES THAT THE FIRM MAY HAVE SOLVENCY PROBLEMS

PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

TIMES INTEREST EARNED

1988	0.89	A RATIO LESS THAN 2.0 MAY INDICATE SOLVENCY PROBLEMS
1987	0.86	A RATIO LESS THAN 2.0 MAY INDICATE SOLVENCY PROBLEMS
1986	-10.32	A RATIO LESS THAN 2.0 MAY INDICATE SOLVENCY PROBLEMS

PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

ABEL INTERPRETS THE OVERALL RESULTS OF THE FINANCIAL RATIOS AS FOLLOWS:

THE DATA SUGGEST THAT THE OVERALL ASSESSMENT OF THE FINANCIAL RATIOS IS INDETERMINATE.

ABEL NOTES THAT THE FIRM`S MOST RECENT CURRENT RATIO IS SUBSTANTIALLY BETTER THAN ITS HISTORIC AVERAGE.

ABEL NOTES THAT THE FIRM`S MOST RECENT BEAVER`S RATIO IS SUBSTANTIALLY BETTER THAN ITS HISTORIC AVERAGE.
ABEL NOTES THAT THE FIRM`S MOST RECENT TIMES INTEREST EARNED IS SUBSTANTIALLY BETTER THAN ITS HISTORIC AVERAGE.

DO YOU WISH TO CONTINUE WITH THE PHASE TWO ANALYSIS (Y OR N)?

PHASE TWO ANALYSIS

PLEASE ENTER WHAT YEARS DOLLARS YOU WANT PRESENT VALUE CALCULATIONS EXPRESSED IN.

THERE IS A 61.9 % CHANCE THAT THE FIRM CAN FINANCE THE PROPOSED SETTLEMENT PENALTY OF $ 85750.00 BASED ON THE STRENGTH OF INTERNALLY GENERATED CASH FLOWS FOR THE NEXT FIVE YEARS.

THE ANALYSIS AT THIS POINT DOES NOT DEMONSTRATE CONCLUSIVELY THE FIRM`S ABILITY TO PAY FOR THE NEW INVESTMENT. TO MAKE A DETERMINATION, ONE MUST LOOK AT THE FIRM`S OTHER OPTIONS, INCLUDING INCREASING EQUITY, SELLING ASSETS OR LEVERAGING UNLEVERED ASSETS.

FOR PROBABILITIES LESS THAN 80%, REFER TO YOUR MEDIA SPECIFIC PENALTY POLICY. HOWEVER, THE FIRM CAN AFFORD A PENALTY OF UP TO $ 7698.86 WITH A PROBABILITY OF 80.0 %.

WOULD YOU LIKE TO SEE MORE DETAILED OUTPUT (Y OR N)?

WOULD YOU PREFER OUTPUT OPTION 2 OR 3?

ABEL IS READY TO BEGIN OUTPUT. IF YOU WISH, PLEASE POSITION YOUR PRINTER TO THE START OF A NEW PAGE. PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

DATA FOR CUSTOM BLENDED OILS, INC.

ANALYSIS DATE: 10/03/90

PROBABILITY	NET PRESENT VALUE AVAILABLE	EQUIVALENT ANNUAL CHARGE
50.0	129483.50	50277.56
60.0	92890.25	36068.65
70.0	53693.55	20848.84
80.0	7698.86	2989.41
90.0	0	0
95.0	0	0

99.0	0	0

THE ABOVE DATA ARE PRESENTED IN CURRENT-YEAR DOLLARS

PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

THIS TABLE SHOWS THE PROBABILITY THAT THE VIOLATOR CAN FINANCE CIVIL PENALTIES OF A GIVEN AMOUNT. FOR EXAMPLE, THERE IS A 50.00 % CHANCE OF FINANCING A LUMP SUM PENALTY OF UP TO $ 129483.50 BASED ON THE STRENGTHS OF PROJECTED INTERNALLY GENERATED CASH FLOWS. THIS IS EQUIVALENT TO ALLOWING THE FIRM TO MAKE THREE EQUAL ANNUAL PAYMENTS OF $ 50277.56.

THE ANALYSIS AT THIS POINT DOES NOT DEMONSTRATE CONCLUSIVELY THE FIRM'S ABILITY TO PAY FOR THE NEW INVESTMENT. TO MAKE A DETERMINATION, ONE MUST LOOK AT THE FIRM'S OTHER OPTIONS, INCLUDING INCREASING EQUITY, SELLING ASSETS OR LEVERAGING UNLEVERED ASSETS.

DO YOU WISH TO PERFORM THE PHASE TWO ANALYSIS FOR THIS CASE AGAIN (Y OR N)?

THERE IS A 62.6 % CHANCE THAT THE FIRM CAN FINANCE THE PROPOSED SETTLEMENT PENALTY OF $ 85750.00 BASED ON THE STRENGTH OF INTERNALLY GENERATED CASH FLOWS FOR THE NEXT FIVE YEARS.

THE ANALYSIS AT THIS POINT DOES NOT DEMONSTRATE CONCLUSIVELY THE FIRM'S ABILITY TO PAY FOR THE NEW INVESTMENT. TO MAKE A DETERMINATION, ONE MUST LOOK AT THE FIRM'S OTHER OPTIONS, INCLUDING INCREASING EQUITY, SELLING ASSETS OR LEVERAGING UNLEVERED ASSETS.

FOR PROBABILITIES LESS THAN 80%, REFER TO YOUR MEDIA SPECIFIC PENALTY POLICY. HOWEVER, THE FIRM CAN AFFORD A PENALTY OF UP TO $ 7963.67 WITH A PROBABILITY OF 80.0 %.

WOULD YOU LIKE TO SEE MORE DETAILED OUTPUT (Y OR N)?

WOULD YOU PREFER OUTPUT OPTION 2 OR 3?

ABEL IS READY TO BEGIN OUTPUT. IF YOU WISH, PLEASE POSITION YOUR PRINTER TO THE START OF A NEW PAGE. PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

DATA FOR CUSTOM BLENDED OILS, INC.

ANALYSIS DATE: 10/03/90

PROBABILITY	NET PRESENT VALUE AVAILABLE	EQUIVALENT ANNUAL CHARGE
50.0	133937.69	52007.09
60.0	96085.62	37309.39
70.0	55540.57	21566.02

80.0	7963.67	3092.24
90.0	0	0
95.0	0	0
99.0	0	0

THE ABOVE DATA ARE PRESENTED IN CURRENT-YEAR DOLLARS

PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

THIS TABLE SHOWS THE PROBABILITY THAT THE VIOLATOR CAN FINANCE CIVIL PENALTIES OF A GIVEN AMOUNT. FOR EXAMPLE, THERE IS A 50.00 % CHANCE OF FINANCING A LUMP SUM PENALTY OF UP TO $ 133937.69 BASED ON THE STRENGTHS OF PROJECTED INTERNALLY GENERATED CASH FLOWS. THIS IS EQUIVALENT TO ALLOWING THE FIRM TO MAKE THREE EQUAL ANNUAL PAYMENTS OF $ 52007.09.

THE ANALYSIS AT THIS POINT DOES NOT DEMONSTRATE CONCLUSIVELY THE FIRM`S ABILITY TO PAY FOR THE NEW INVESTMENT. TO MAKE A DETERMINATION, ONE MUST LOOK AT THE FIRM`S OTHER OPTIONS, INCLUDING INCREASING EQUITY, SELLING ASSETS OR LEVERAGING UNLEVERED ASSETS.

DO YOU WISH TO PERFORM THE PHASE TWO ANALYSIS FOR THIS CASE AGAIN (Y OR N)?

BEAVER`S RATIOS

1988	0.14	A RATIO BETWEEN 0.10 AND 0.20 IS INDETERMINATE
1987	0.17	A RATIO BETWEEN 0.10 AND 0.20 IS INDETERMINATE
1986	-0.09	A RATIO BELOW 0.10 INDICATES THAT THE FIRM MAY HAVE SOLVENCY PROBLEMS

PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

TIMES INTEREST EARNED

1988	0.89	A RATIO LESS THAN 2.0 MAY INDICATE SOLVENCY PROBLEMS
87	0.86	A RATIO LESS THAN 2.0 MAY INDICATE SOLVENCY PROBLEMS
1986	-10.32	A RATIO LESS THAN 2.0 MAY INDICATE SOLVENCY PROBLEMS

PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

ABEL INTERPRETS THE OVERALL RESULTS OF THE FINANCIAL RATIOS AS FOLLOWS:

THE DATA SUGGEST THAT THE OVERALL ASSESSMENT OF THE FINANCIAL RATIOS IS INDETERMINATE.

ABEL NOTES THAT THE FIRM`S MOST RECENT CURRENT RATIO IS SUBSTANTIALLY BETTER THAN ITS HISTORIC AVERAGE.

ABEL NOTES THAT THE FIRM`S MOST RECENT BEAVER`S RATIO IS SUBSTANTIALLY BETTER THAN ITS HISTORIC AVERAGE.
ABEL NOTES THAT THE FIRM`S MOST RECENT TIMES INTEREST EARNED IS SUBSTANTIALLY BETTER THAN ITS HISTORIC AVERAGE.

DO YOU WISH TO CONTINUE WITH THE PHASE TWO ANALYSIS (Y OR N)?

PHASE TWO ANALYSIS

PLEASE ENTER WHAT YEARS DOLLARS YOU WANT PRESENT VALUE CALCULATIONS EXPRESSED IN.

DO YOU WISH TO ANALYZE A CIVIL PENALTY (P) ,A NEW INVESTMENT (I), OR BOTH (B) ?

PLEASE INPUT THE INITIAL PROPOSED SETTLEMENT PENALTY AMOUNT (E.G., 5000); IF THERE IS NO TARGETED PENALTY, ENTER 0.

PLEASE ENTER WHAT YEAR DOLLARS THIS IS EXPRESSED IN (E.G., 1984)

THE FOLLOWING STANDARD VALUES ARE USED IN THIS SECTION OF ABEL:

1. REINVESTMENT RATE = 0.00
2. NOMINAL DISCOUNT RATE =17.50%
3. INFLATION RATE = 3.44%
4. MARGINAL INCOME TAX RATE =38.50%

DO YOU WISH TO HAVE THESE ITEMS EXPLAINED (Y OR N)?

DO YOU WISH TO CHANGE ANY OF THESE INPUTS (Y OR N)?

ABEL IS READY TO PROVIDE OUTPUT. YOU HAVE THE CHOICE OF THREE OUTPUT OPTIONS:

1. PRINT ONLY THE POSSIBILITY OF THE PRESENT VALUE OF THE FIRM`S FIVE YEAR PROJECTED CASH FLOW EXCEEDING EITHER AN INITIAL PROPOSED SETTLEMENT PENALTY OR A REQUIRED INVESTMENT.

2. PRINT A TABLE SHOWING THE NET AVAILABLE CASH FLOW WITH AN ANALYSIS OF THE TABLE.

3. PRINT A DETAILED TABLE SHOWING THE COMPONENTS OF THE FIRM`S CASH FLOWS. THIS OPTION MAY BE HELPFUL TO FINANCIAL ANALYSTS BUT IS NOT RECOMMENDED FOR MOST USERS.

PLEASE ENTER YOUR CHOICE (1,2 OR 3).

THERE IS A 61.9 % CHANCE THAT THE FIRM
CAN FINANCE THE PROPOSED SETTLEMENT PENALTY OF
$ 85750.00 BASED ON THE STRENGTH OF INTERNALLY
GENERATED CASH FLOWS FOR THE NEXT FIVE YEARS.

THE ANALYSIS AT THIS POINT DOES NOT
DEMONSTRATE CONCLUSIVELY THE FIRM`S ABILITY TO PAY
FOR THE NEW INVESTMENT. TO MAKE A DETERMINATION,
ONE MUST LOOK AT THE FIRM`S OTHER OPTIONS,
INCLUDING INCREASING EQUITY, SELLING ASSETS OR
LEVERAGING UNLEVERED ASSETS.

FOR PROBABILITIES LESS THAN 80%, REFER TO YOUR MEDIA
SPECIFIC PENALTY POLICY. HOWEVER, THE FIRM CAN AFFORD A
PENALTY OF UP TO $ 7698.86 WITH A PROBABILITY OF 80.0 %.

WOULD YOU LIKE TO SEE MORE DETAILED OUTPUT (Y OR N)?

WOULD YOU PREFER OUTPUT OPTION 2 OR 3?

ABEL IS READY TO BEGIN OUTPUT. IF YOU WISH, PLEASE
POSITION YOUR PRINTER TO THE START OF A NEW PAGE. PLEASE
ENTER A CARRIAGE RETURN TO CONTINUE

DATA FOR CUSTOM BLENDED OILS, INC

ANALYSIS DATE: 12/11/90

PROBABILITY	NET PRESENT VALUE AVAILABLE	EQUIVALENT ANNUAL CHARGE
50.0	129483.50	50277.56
60.0	92890.25	36068.65
70.0	53693.55	20848.84
80.0	7698.86	2989.41
90.0	0	0
95.0	0	0
99.0	0	0

THE ABOVE DATA ARE PRESENTED IN CURRENT-YEAR DOLLARS

PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

THIS TABLE SHOWS THE PROBABILITY THAT THE VIOLATOR
CAN FINANCE CIVIL PENALTIES OF A GIVEN AMOUNT. FOR EXAMPLE,
THERE IS A 50.00 % CHANCE OF FINANCING A LUMP
SUM PENALTY OF UP TO $ 129483.50 BASED ON THE STRENGTHS
OF PROJECTED INTERNALLY GENERATED CASH FLOWS. THIS IS
EQUIVALENT TO ALLOWING THE FIRM TO MAKE THREE EQUAL ANNUAL
PAYMENTS OF $ 50277.56.

THE ANALYSIS AT THIS POINT DOES NOT
DEMONSTRATE CONCLUSIVELY THE FIRM`S ABILITY TO PAY
FOR THE NEW INVESTMENT. TO MAKE A DETERMINATION,
ONE MUST LOOK AT THE FIRM`S OTHER OPTIONS,

ONE MUST LOOK AT THE FIRM`S OTHER OPTIONS,
INCLUDING INCREASING EQUITY, SELLING ASSETS OR
LEVERAGING UNLEVERED ASSETS.

DO YOU WISH TO PERFORM THE PHASE TWO ANALYSIS FOR
THIS CASE AGAIN (Y OR N)?

PHASE TWO ANALYSIS

PLEASE ENTER WHAT YEARS DOLLARS YOU WANT PRESENT
VALUE CALCULATIONS EXPRESSED IN.

DO YOU WISH TO ANALYZE A CIVIL PENALTY (P) ,A NEW
INVESTMENT (I), OR BOTH (B) ?

PLEASE INPUT THE INITIAL PROPOSED SETTLEMENT PENALTY
AMOUNT (E.G., 5000); IF THERE IS NO TARGETED PENALTY,
ENTER 0.

PLEASE ENTER WHAT YEAR DOLLARS THIS IS EXPRESSED IN
(E.G., 1984)

THE FOLLOWING STANDARD VALUES ARE USED IN THIS SECTION OF
ABEL:

1. REINVESTMENT RATE = 0.00
2. NOMINAL DISCOUNT RATE =17.50%
3. INFLATION RATE = 3.44%
4. MARGINAL INCOME TAX RATE =38.50%

DO YOU WISH TO HAVE THESE ITEMS EXPLAINED (Y OR N)?

DO YOU WISH TO CHANGE ANY OF THESE INPUTS (Y OR N)?

ABEL IS READY TO PROVIDE OUTPUT. YOU HAVE THE CHOICE
OF THREE OUTPUT OPTIONS:

1. PRINT ONLY THE POSSIBILITY OF THE PRESENT VALUE
OF THE FIRM`S FIVE YEAR PROJECTED CASH FLOW EXCEEDING
EITHER AN INITIAL PROPOSED SETTLEMENT PENALTY OR A REQUIRED
INVESTMENT.

2. PRINT A TABLE SHOWING THE NET AVAILABLE CASH FLOW
WITH AN ANALYSIS OF THE TABLE.

3. PRINT A DETAILED TABLE SHOWING THE COMPONENTS OF THE
FIRM`S CASH FLOWS. THIS OPTION MAY BE HELPFUL TO FINANCIAL
ANALYSTS BUT IS NOT RECOMMENDED FOR MOST USERS.

PLEASE ENTER YOUR CHOICE (1,2 OR 3).

THERE IS A 66.0 % CHANCE THAT THE FIRM
CAN FINANCE THE PROPOSED SETTLEMENT PENALTY OF
$ 70000.00 BASED ON THE STRENGTH OF INTERNALLY
GENERATED CASH FLOWS FOR THE NEXT FIVE YEARS.

THE ANALYSIS AT THIS POINT DOES NOT
DEMONSTRATE CONCLUSIVELY THE FIRM`S ABILITY TO PAY
FOR THE NEW INVESTMENT. TO MAKE A DETERMINATION,
ONE MUST LOOK AT THE FIRM`S OTHER OPTIONS,
INCLUDING INCREASING EQUITY, SELLING ASSETS OR

INCLUDING INCREASING EQUITY, SELLING ASSETS OR LEVERAGING UNLEVERED ASSETS.

FOR PROBABILITIES LESS THAN 80%, REFER TO YOUR MEDIA SPECIFIC PENALTY POLICY. HOWEVER, THE FIRM CAN AFFORD A PENALTY OF UP TO $ 7698.86 WITH A PROBABILITY OF 80.0 %.

ABEL IS READY TO BEGIN OUTPUT. IF YOU WISH, PLEASE POSITION YOUR PRINTER TO THE START OF A NEW PAGE. PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

DATA FOR CUSTOM BLENDED OILS, INC

ANALYSIS DATE: 12/11/90

PROBABILITY	PV CASH FLOW	PV NEW INVST	PV O&M EXP	NET PV AVAILABLE	ANNUAL CHARGE
50.0	129483.50	0.00	0.00	129483.50	50277.56
60.0	92890.25	0.00	0.00	92890.25	36068.65
70.0	53693.55	0.00	0.00	53693.55	20848.84
80.0	7698.86	0.00	0.00	7698.86	2989.41
90.0	0	0.00	0.00	0	0
95.0	0	0.00	0.00	0	0
99.0	0	0.00	0.00	0	0

THE ABOVE DATA ARE PRESENTED IN CURRENT-YEAR DOLLARS

PLEASE ENTER A CARRIAGE RETURN TO CONTINUE

THIS TABLE SHOWS THE PROBABILITY THAT THE VIOLATOR CAN FINANCE CIVIL PENALTIES OF A GIVEN AMOUNT. FOR EXAMPLE, THERE IS A 50.00 % CHANCE OF FINANCING A LUMP SUM PENALTY OF UP TO $ 129483.50 BASED ON THE STRENGTHS OF PROJECTED INTERNALLY GENERATED CASH FLOWS. THIS IS EQUIVALENT TO ALLOWING THE FIRM TO MAKE THREE EQUAL ANNUAL PAYMENTS OF $ 50277.56.

THE ANALYSIS AT THIS POINT DOES NOT DEMONSTRATE CONCLUSIVELY THE FIRM`S ABILITY TO PAY FOR THE NEW INVESTMENT. TO MAKE A DETERMINATION, ONE MUST LOOK AT THE FIRM`S OTHER OPTIONS, INCLUDING INCREASING EQUITY, SELLING ASSETS OR LEVERAGING UNLEVERED ASSETS.

DO YOU WISH TO PERFORM THE PHASE TWO ANALYSIS FOR THIS CASE AGAIN (Y OR N)?

DO YOU WISH TO ANALYZE ANOTHER CASE (Y OR N)?

1. PLEASE ENTER THE NAME OF THE FIRM TO BE ANALYZED (E. G., ABC CORP)